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U.S. Department of Agriculture

VOL. 2

1988 BUDGET EXPLANATORY NOTES FOR COMMITTEE ON APPROPRIATIONS

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Agricultural Marketing Service
Funds for Strengthening Markets, Income, and Supply (Section 32)
Office of Transportation
Federal Grain Inspection Service
Agricultural Cooperative Service
Packers and Stockyards Administration
Food Safety and Inspection Service

Economic Research Service
National Agricultural Statistics Service
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ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Purpose Statement

The Animal and Plant Health Inspection Service (APHIS) was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953 and other authorities. The primary mission of APHIS is to protect the animal and plant resources of the Nation from diseases and pests in order to preserve the marketability of U.S. agricultural products within this country and abroad. The mission is carried out under three major areas of activity:

1. Animal and plant disease and pest control: The Agency conducts inspection and quarantine activities at U.S. ports-of-entry to prevent the introduction of exotic animal and plant diseases and pests; survey, diagnostic, and inspection activities in the United States to locate and prevent the spread of agricultural pests and diseases; control and eradication programs to combat new and endemic infestations and infections; and emergency eradication programs when devastating plant and animal diseases threaten the U.S. The Agency also participates in inspection, survey, and control activities in foreign countries to reinforce its domestic activities.

2. Animal damage control: The Agency carries out a cooperative program to reduce agricultural losses caused by predatory animals, birds, and rodents; conducts control operations for target species on Federal, State and private lands; provides technical assistance to other cooperators such as States, counties, and farmer or rancher groups; conducts basic and applied research aimed at reducing economic damage from vertebrate animals.

3. Other regulatory activities: The Agency performs other regulatory activities, including the development of standards for and licensing and testing of veterinary biologicals to ensure their safety and effectiveness; inspection of certain establishments which handle animals intended for research, exhibition, and pet purposes, to ensure their humane treatment; and regulation of the import and export of endangered species.

As of September 30, 1986, there were 4,390 permanent full-time and 876 part-time employees. Of the total, 604 full-time employees and 50 part-time employees work in central offices in the Washington metropolitan area. The field activities are managed on a national basis through 10 regional offices and 109 area offices. Much of the work is conducted in cooperation with State and local agencies, private groups, and foreign governments. Most of the Service's work is conducted at field locations in the 50 States, Puerto Rico, Virgin Islands, Mexico, and Central America.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses	$306,266,900	5,108	a/$303,096,000	4,880	$296,266,000	4,611
Buildings and Facilities	4,054,000	--	2,246,000	--	2,347,000	--
Obligations under other USDA Appropriations						
Agricultural Cooperative Service for administrative support	136,600	3	130,000	3	130,000	3
Agricultural Marketing Service for administrative support and tobacco sample analysis	1,796,700	45	2,041,000	45	2,041,000	45
Agricultural Research for administrative support and cooperative projects	78,280	1	61,000	1	61,000	1
Agricultural Stabilization and Conservation Service for contamination and residue testing	295,073	--	384,000	--	--	--
Commodity Credit Corporation for citrus canker emergency	11,034,977	70	250,000	2	--	--
Cooperative State Research Service for Center for Tropical Health agreement	10,000	--	10,000	--	10,000	--
Federal Grain Inspection Service for administrative support	1,179,740	31	1,180,000	31	1,180,000	31
Food Safety and Inspection Service for administrative support	14,460	--	12,000	--	12,000	--
Human Nutrition Information Service for administrative support	61,579	--	55,000	--	55,000	--
Office of Finance and Management for employee detail	16,206	--	--	--	--	--
Office of International Cooperation and Development for employee services and training	728,732	21	--	--	--	--
Office of Management Reform for employee detail	25,830	1	--	--	--	--

	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Office of the Inspector General for administrative support	24,889	--	27,000	--	27,000	--
Office of Transportation for administrative support	126,660	2	121,000	--	121,000	--
Packers and Stockyards Administration for administrative support	220,000	6	222,000	--	222,000	--
Statistical Reporting Service for maintenance of data processing facilities	14,237	--	15,000	--	15,000	--
Total Agricultural Appropriations	326,084,863	5,288	309,850,000	4,962	302,487,000	4,691
Other Federal Funds						
Agency for International Development for overseas technical assistance	560,511	6	--	-	--	--
Department of Energy for animal damage control activities	7,000	--	7,000	-	7,000	--
Department of Health and Human Services for funding for biotechnology conference	25,000	--	--	--	--	--
Department of the Interior for animal damage control activities	228,715	4	245,000	4	245,000	4
Department of Transportation for evaluation of X-ray equipment	5,000	--	--	--	--	--
Forest Service for gypsy moth traps and sterility technique evaluation	53,058	1	38,000	1	38,000	1
U.S. Air Force for animal damage control activities	25,000	1	--	--	--	--
U.S. Army for animal damage control activities	403,340	8	417,000	8	417,000	8
U.S. Customs Service for services performed at Sweetgrass, MT	40,000	--	--	--	--	--
U.S. Navy for animal damage control activities and overtime quarantine inspection	75,634	1	--	--	--	--
Miscellaneous reimbursements	3,593	--	--	--	--	--
Total, other Federal Funds	1,426,851	21	707,000	13	707,000	13

	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Non-Federal Funds						
Funds derived from importers and exporters for import-export inspection, laboratory testing, control and eradication services, etc.	9,570,045	177	6,319,823	185	6,703,000	185
Funds from State and local governments for animal damage control activities	1,247,604	24	2,817,000	54	2,817,000	54
Funds derived from States, local organizations and others for:						
Inspection, certification and quarantine of animal products	-511	--				
Feed and attendants for animals in quarantine	2,218,017	31	2,125,000	31	2,125,000	31
Miscellaneous contributed funds	2,528,019	37	2,610,000	39	2,610,000	39
Total, Non-Federal Funds	15,563,174	269	13,871,823	309	14,255,000	309
Total, Animal and Plant Health Inspection Service	343,074,888	5,578	324,428,823	5,284	317,449,000	5,013

Full-time Equivalent Staff-Years:	1986 Actual	1987 Estimate	1988 Estimate
Ceiling	5,294 a/	5,000	4,729
Non-Ceiling	284	284	284
Total	5,578	5,284	5,013

a/ Includes 228 staff-years for portion of year animal damage control activities performed in the Department of the Interior.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Permanent Positions by Grade and Staff-Years Summary

1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	2	--	2	2	--	2	2	--	2
ES-4	4	--	4	4	--	4	4	--	4
ES-3	3	5	8	3	5	8	3	5	8
ES-2	3	--	3	3	--	3	3	--	3
ES-1	--	1	1	--	1	1	--	1	1
GS-16	1	--	1	1	--	1	1	--	1
GS/GM-15	37	28	65	37	28	65	35	28	63
GS/GM-14	84	83	167	84	83	167	81	79	160
GS/GM-13	76	141	217	76	141	217	73	136	209
GS-12	75	412	487	75	412	487	72	397	469
GS-11	58	461	519	58	461	519	56	444	500
GS-9	63	926	989	63	926	989	61	892	953
GS-8	5	8	13	5	8	13	5	8	13
GS-7	48	492	540	48	492	540	46	474	520
GS-6	64	121	185	64	121	185	62	116	178
GS-5	78	400	478	78	400	478	75	385	460
GS-4	35	350	385	35	350	385	34	337	371
GS-3	11	62	73	11	62	73	10	60	70
GS-2	2	1	3	2	1	3	2	1	3
Other Graded Positions	7	57	64	7	57	64	7	55	62
Ungraded Positions	7	427	434	7	427	434	7	411	418
Total Permanent Positions	664	3,975	4,639	664	3,975	4,639	640	3,829	4,469
Staff Years:									
Ceiling	725	4,569	5,294	716	4,284	5,000	677	4,052	4,729
Non-Ceiling	2	282	284	2	282	284	2	282	284
TOTAL	727	4,851	5,578	718	4,566	5,284	679	4,334	5,013

ANIMAL AND PLANT HEALTH INSPECTION SERVICE
CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

		1986	1987	1988
Personnel Compensation:				
Headquarters		$18,455,485	$18,631,000	$18,303,000
Field		117,358,605	118,476,000	116,386,000
11	Total personnel compensation	135,814,090	137,107,000	134,689,000
12	Personnel benefits	21,663,087	21,821,000	30,317,000
13	Benefits for former personnel	269,046	268,000	263,000
Total personnel compensation and benefits		157,746,223	159,196,000	165,269,000
Other Objects:				
21	Travel	10,017,470	9,862,000	9,389,000
22	Transportation of things	2,584,579	2,531,000	2,113,000
23.2	Rental payments to others	2,588,638	2,472,000	2,472,000
23.3	Communications, utilities, and miscellaneous charges	11,306,194	11,308,000	10,738,000
24	Printing and reproduction	795,291	811,000	839,000
25	Other services	52,372,040	57,261,057	46,629,000
26	Supplies and material	21,637,594	20,339,000	15,748,000
31	Equipment	8,413,568	8,428,000	7,545,000
32	Lands and structures	1,351,064	8,517,589	2,647,000
41	Grants, contributions, subsidies	25,137,681	26,149,000	27,646,000
42	Insurance claims and indemnities	8,128,515	8,186,000	7,878,000
Total other objects		144,332,634	155,864,646	133,644,000
Total direct obligations		302,078,857	315,060,646	298,913,000
Position Data:				
Average Salary, ES positions		$ 67,013	$ 69,023	$ 69,023
Average Salary, GM/GS positions		$ 23,485	$ 24,190	$ 24,190
Average Grade, GM/GS positions		8.67	8.67	8.67

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language is underscored. deleted matter is enclosed in brackets):

Salaries and Expenses:

For expenses. not otherwise provided for, including those pursuant to the Act of February 28, 1947, as amended (21 U.S.C. 114b-c), necessary to prevent, control, and eradicate pests and plant and animal diseases; to carry out inspection, quarantine, and regulatory activities; to discharge the authorities of the Secretary of Agriculture under the Act of March 2, 1931 (46 Stat. 1468; 7 U.S.C. 426-426b); and to protect the environment, as
1 authorized by law, [$300,967,000] $296,266,000; of which [$10,000,000] $4,500,000 shall be available for the control of outbreaks of insects, plant diseases and animal diseases to the extent necessary to meet emergency
2 conditions: [Provided, That $1,000,000 of the funds for control of the fire ant shall be placed in reserve for matching purposes with States which may come into the program:] Provided [further], That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching by the States of at least 40 per centum: Provided further, That this appropriation shall be available for field employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $40,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed two, of which one shall be for replacement only: Provided further, That, in addition, in emergencies which threaten any segment of the agricultural production industry of this country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as he may deem necessary, to be available only in such emergencies for the arrest and eradication of contagious or infectious diseases or pests of animals, poultry, or plants, and for expenses in accordance with the Act of February 28, 1947, as amended, and section 102 of the Act of September 21, 1944, as amended, and any unexpended balances of funds transferred for such emergency purposes in the next preceding fiscal year shall be merged with such transferred amounts.

The first change reduces the amount in the APHIS contingency fund from $10,000,000 in FY 1987 to $4,500,000 in FY 1988. The FY 1987 amount was provided by Congress for avian influenza and citrus canker emergencies. The Department believes these problems will be less severe in FY 1988 and any isolated outbreaks can be funded by the States. The FY 1988 level of funding should enable the Agency to meet most emergencies as the FY 1988 budgeted amount is the largest since the inception of APHIS.

The second change eliminates the language that places funds in reserve for the imported fire ant control matching program. The FY 1988 budget does not provide funds for an imported fire ant program.

SALARIES AND EXPENSES - CURRENT LAW

Appropriation Act, 1987	$300,967,000
Budget Estimate, Current Law, 1988	296,266,000
Decrease in Appropriation	-4,701,000

Adjustments in 1987:		
Appropriation Act, 1987	$300,967,000	
1987 Transfer for Pay Costs	+2,000,000	
Transfer from Department of the Interior	+214,000	a/
Transfer to Departmental Administration	-85,000	b/
Adjusted base for 1987		303,096,000
Budget Estimate, Current Law, 1988		296,266,000
Decrease over adjusted, 1987		-6,830,000

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	$296,266,000
Change due to proposed legislation	- 85,876,000
Net Request, President's Budget Request	210,390,000

SUMMARY OF INCREASES AND DECREASES
CURRENT LAW

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Agricultural quarantine inspection	$52,827,000	+$4,426,000	+$9,728,000	$66,981,000
Mediterranean fruit fly	8,560,000	+173,000	+988,000	9,721,000
Witchweed	4,522,000	+171,000	+607,000	5,300,000
Boll weevil	2,919,000	--	-2,706,000	213,000
Grasshopper and Mormon cricket	10,412,057	+55,000	-7,297,057	3,170,000
Imported fire ant	5,526,000	--	-5,526,000	--
Noxious weeds	750,000	--	-750,000	--
Pink bollworm	2,288,000	+42,000	-1,240,000	1,090,000
Animal health compliance and enforcement	13,442,000	+848,000	+500,000	14,790,000
Foot-and-mouth disease (Darien Gap)	2,131,000	+44,000	+884,000	3,059,000
Brucellosis	67,028,000	+1,956,000	-3,143,000	65,841,000
Pseudorabies	1,500,000	--	-1,500,000	--
Animal welfare	5,937,000	+260,000	-1,250,000	4,947,000
Animal damage control	21,810,000	+380,000	-10,091,000	12,099,000
Biotechnology	--	--	+4,000,000	4,000,000
Contingency fund	10,000,000	--	-5,500,000	4,500,000
Unobligated balance available	-3,661,057	--	+3,661,057	--
All other	97,105,000	+3,450,000	--	100,555,000
Total Available	303,096,000	+11,805,000 c/	-18,635,000	296,266,000

a/ A transfer of $214,000 from Department of the Interior for maintenance and rehabilitation costs of the Denver Wildlife Research Center.

b/ A transfer of $85,000 to Departmental Administration is to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1988.

c/ Includes an increase of $2,686,000 for pay increases effective in FY 1987 and $9,119,000 for increased costs associated with FERS.

PROJECT STATEMENT - Current Law
(On basis of appropriation)

PROJECT	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Plant disease and pest control:							
Agricultural quarantine inspection	$54,994,273	1,584	$52,827,000	1,536	+$14,154,000	$66,981,000	1,661
International programs	2,337,235	30	2,045,000	28	+ 73,000	2,118,000	28
Pest detection	4,029,361	64	3,806,000	63	+ 136,000	3,942,000	53
Plant protection programs:							
Biocontrol	2,914,832	68	3,172,000	68	+ 165,000	3,337,000	63
Boll weevil	2,995,604	33	2,919,000	33	- 2,706,000	213,000	4
Golden nematode	898,668	27	968,000	27	+ 56,000	1,024,000	22
Grasshopper & Mormon cricket	13,755,665	40	10,412,057	40	- 7,242,057	3,170,000	23
Gypsy moth	9,418,960	124	5,172,000	121	+ 305,000	5,477,000	116
Imported fire ant	3,036,526	52	5,526,000	52	- 5,526,000	--	--
Mediterranean fruit fly	8,207,450	112	8,560,000	103	+ 1,161,000	9,721,000	73
Mexican fruit fly	1,999,688	55	1,481,000	44	+ 77,000	1,558,000	35
Miscellaneous plant pests	566,628	13	1,091,000	14	+ 37,000	1,128,000	14
Noxious weeds	795,181	6	750,000	6	- 750,000	--	--
Pink bollworm	1,815,875	32	2,288,000	35	- 1,198,000	1,090,000	18
Witchweed	4,331,640	75	4,522,000	71	+ 778,000	5,300,000	66
Total, Plant disease and pest control	112,097,586	2,315	105,539,057	2,241	- (1) 480,057	105,059,000	2,176
2. Animal disease and pest control:							
Animal disease detection	2,539,148	45	2,931,000	44	+ 138,000	3,069,000	44
Animal health compliance and enforcement	14,305,607	327	13,442,000	319	+ 1,348,000	14,790,000	328
Import-export inspection	7,434,807	164	8,206,000	160	+ 443,000	8,649,000	160
International programs	1,831,791	30	1,944,000	29	+ 103,000	2,047,000	29
Veterinary biologics	8,148,279	155	8,324,000	152	+ 357,000	8,681,000	152
Veterinary diagnostics	11,988,226	167	10,550,000	163	+ 357,000	10,907,000	163
Animal health programs:							
Brucellosis	62,778,692	757	67,028,000	724	- 1,187,000	65,841,000	707
Cattle ticks	7,425,217	133	5,979,000	130	+ 315,000	6,294,000	130
Foot-and-mouth disease (Darien Gap)	2,102,165	11	2,131,000	10	+ 928,000	3,059,000	10
Miscellaneous animal diseases	1,960,982	32	1,927,000	31	+ 81,000	2,008,000	31
National poultry improvement plan	109,969	2	211,000	2	+ 9,000	220,000	2
Poultry diseases	506,517	12	610,000	11	+ 37,000	647,000	11
Pseudorabies	1,569,176	23	1,500,000	22	- 1,500,000	--	--
Screwworm	29,099,720	135	31,639,000	132	+ 463,000	32,102,000	132
Swine health protection	4,475,674	115	3,123,000	112	+ 160,000	3,283,000	112
Tuberculosis eradication	3,757,815	59	3,772,000	57	+ 131,000	3,903,000	57
Animal welfare	6,036,311	137	5,937,000	133	- 990,000	4,947,000	116
Horse protection	332,886	8	154,000	8	+ 7,000	161,000	8
Total, Animal disease and pest control	166,402,982	2,312	169,408,000	2,239	+ (2) 1,200,000	170,608,000	2,192

PROJECT	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
3. Animal Damage Control:							
Agricultural protection	18,243,060	409	18,539,000	340	- 8,255,000	10,284,000	170
Public health and safety	3,219,363	72	3,271,000	60	- 1,456,000	1,815,000	30
Total, Animal damage control	a/ 21,462,423	b/ 481	21,810,000	400	- 9,711,000 (3)	12,099,000	200
4. Biotechnology	--	--	--	--	+ 4,000,000 (4)	4,000,000	43
5. Contingencies:							
(a) Plant disease and pest control	520,000	--	5,000,000	--	- 2,750,000	2,250,000	--
(b) Animal disease and pest control	1,206,802	--	5,000,000	--	- 2,750,000	2,250,000	--
Total, Contingencies	1,726,802	--	10,000,000	--	- 5,500,000 (5)	4,500,000	--
Unobligated balance available, start of year	--	--	- 3,661,057	--	+ 3,661,057	--	--
Unobligated balance available, end of year	3,661,057	--	--	--	--	--	--
Unobligated balance lapsing	916,050	--	--	--	--	--	--
Total, Available or estimated, appropriated funds	306,266,900	5,108	303,096,000	4,880	- 6,830,000	296,266,000	4,611
6. Advances and Reimbursements:							
(a) Plant disease and pest control:							
Citrus canker	11,034,977	70	250,000	2	- 250,000	--	--
Other	10,472,438	184	8,821,000	184	--	8,821,000	184
Total	21,507,415	254	9,071,000	186	- 250,000	8,821,000	--
(b) Animal disease and pest control	3,599,413	70	1,953,000	70	--	1,953,000	70
(c) Animal damage control	2,901,635	78	3,327,000	78	--	3,327,000	78
Total, Advances and reimbursements	28,008,463	402	14,351,000	334	- 250,000	14,101,000	332
Total, Available or estimated	334,275,363	5,510	317,447,000	5,214	- 7,080,000	310,367,000	4,943
Transferred from Forest Service	- 4,435,900	--	--	--	--	--	--
Transfer from Department of the Interior	- 962,000	--	- 214,000	--	+ 214,000	--	--
Transfer to Departmental Administration	--	--	+ 85,000	--	- 85,000	--	
Proposed transfer for pay costs	--	--	- 2,000,000	--	+ 2,000,000	--	--
Receipts from Advances and reimbursements	-28,008,463	- 402	-14,351,000	- 334	+ 250,000	-14,101,000	- 332
Total, Appropriation	300,869,000	5,108	300,967,000	4,880	- 4,701,000	296,266,000	4,611

a/ Includes $748,000 for animal damage control administrative expenses and $214,000 for maintenance and rehabilitation costs of the Denver Wildlife Research Center absorbed by the USDI, Fish and Wildlife Service per Determination Order signed April 30, 1986.

b/ Includes 228 staff-years for portion of animal damage control activities performed in Department of the Interior.

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" for the Animal and Plant Health Inspection Service (APHIS) funds the following activities:

1. Plant disease and pest control--In cooperation with the States, APHIS carries out surveys to detect harmful pests and diseases, inspections to prevent spread of plant pests to noninfested areas of the country, and programs to eradicate new or established plant pests and diseases. An inspection program at ports of entry prevents the introduction of foreign plant and animal pests and diseases which are harmful to agriculture in the United States. APHIS also certifies plants and plant products for export and regulates imports and exports of designated endangered plant species.

The statutory authority supporting this program is contained in 7 U.S.C. 7-7b, 8, 11, 15, 17, and 55; and 49 U.S.C. 20. The principal legislative authority for these activities is the Organic Act of 1944, as amended by P.L. 94-231, enacted March 15, 1976. The authority to control noxious weeds was enacted under P.L. 92-629, dated January 3, 1975. The Department's enforcement responsibilities for endangered plants are contained in the Endangered Species Act of 1973. The Airport and Airways Development Act, P.L. 94-353, Section 15 (c), was enacted July 12, 1976.

The levels of plant disease and pest control activities are shown by the selected examples that follow:

	1986 Actual	1987 Estimate	1988 Estimate
Acres treated (thousands):			
Boll weevil (High Plains).....	234	300	--
Boll weevil (SE eradication)			
Eradication zone.....	11,186	2,500	--
Buffer zone.....	122,902	95,000	--
Boll weevil (SW eradication)			
Eradication zone.....	67,293	15,000	--
Buffer zone.....	42,092	35,000	--
Grasshopper.....	6,858	10,200	--
Gypsy Moth.....	210.7	--	--
Imported fire ant.....	--	--	--
Sterile insects released (millions):			
Mexican fruit fly.....	572	780	780
Pink bollworm.....	504	500	500
Mediterranean fruit fly (Mexico and Central America).....	24,700	25,500	26,000
Parasites released (thousands):			
Colorado Potato Beetle.....	500	500	500
Citrus whitefly.....	25	10	5
Alfalfa weevil.....	300	300	100
Diffuse and spotted knapweed.....	650	700	800
Aphid predators.....	--	50	100
Total acres released from quarantine through eradication:			
Witchweed.....	16,667	16,000	20,000
Environmental monitoring and methods development:			
Imported fire ant:			
Sites monitored.....	1	--	--
Test plots conducted.....	63	50	--
Alternate chemicals/materials screened.....	15	12	--
Plant Health Emergencies:			
Citrus Canker (Florida)			
Survey inspections.....	2,496,000	--	--
Plant samples taken.....	9,500	--	--
Plants destroyed.....	3,911,629	--	--
Control visits.....	265	--	--
Regulatory visits.....	34,000	--	--
Africanized honey bee (California)			
Feral nests sampled.....	119	--	--
Apiaries sampled.....	48	--	--
Colonies sampled.....	4,634	--	--
Oriental fruit fly (California)			
Traps placed.....	4,204	--	--
Regulatory visits.....	105	--	--
Quarantine notices.....	200,000	--	--

The level of activity for agricultural quarantine inspection is as follows:

	1986 Actual	1987 Estimate	1988 Estimate
Plant and animal product and byproduct inspection:			
Airplanes (thousands)	265	274	280
Vessels (thousands)	45	47	48
Plant units processed (millions)	227	291	306
Cargo inspection conducted (thousands)	745	782	821
Phytosanitary export certification:			
Certificates issued (thousands)	116	122	128
Interceptions (thousands):			
Unauthorized plant material	1,118	1,174	1,233
Unauthorized animal products/ byproducts	132	139	141
Unauthorized material:			
Mail	8.1	8.3	8.5
Baggage	731	760	768

2. Animal disease and pest control--APHIS conducts programs to prevent communicable diseases of foreign origin from entering the United States; rapidly diagnoses foreign animal diseases, should they enter this country; and prevents the spread of diseases through interstate and intrastate shipments of livestock or distribution of impure, unsafe, impotent, and non-efficacious veterinary biologics. In cooperation with States, the Agency conducts other programs to control and eradicate livestock diseases present in this country including new outbreaks of economic significance for which the Secretary of Agriculture declares a national emergency. The animal welfare program is designed to ensure humane care and handling of approximately 40 million warmblooded animals and restricts animal fighting ventures. The horse protection program is concerned with the practice of soring horses so as to affect their gait.

The statutory authority for this work is contained in 7 U.S.C. 15, 17, 30, 54, 429, and 3801; 15 U.S.C. 44; 19 U.S.C. 4; 21 U.S.C. 4, 5, and 45; 46 U.S.C. 15; and 49 U.S.C. 20. Principal legislative authority for these activities is contained in the Act of May 29, 1884; Act of August 30, 1890; Act of February 2, 1903; Act of March 3, 1905; Tariff Act of June 17, 1930; Act of September 21, 1944; Act of February 28, 1947; Act of September 6, 1961; Act of July 2, 1962; The Animal Welfare Act; The Horse Protection Act; The Virus-Serum-Toxin Act of March 14, 1913; the Swine Health Protection Act of October 17, 1980; Public Law 97-46 of September 25, 1981; Act of October 14, 1982; Act of January 13, 1983, Public Law 99-198 of December 23, 1985.

The levels of activity for the major animal disease and pest control programs are as follows:

	1986 Actual	1987 Estimate	1988 Estimate
Animal Disease Detection:			
Domestic disease--NAHMS (State in pilot project)	6	14	25
Exotic diseases and parasites:			
Investigation of suspicious cases	562	250	300
Confirmed primary outbreaks:			
Exotic Newcastle disease (VVND)	5	10	10
Bovine babesiosis (PR)	69	50	50

Animal Health Compliance and Enforcement:			
Inspections conducted at livestock markets and other concentration points	20,592	22,600	23,900
Inspections conducted at slaughter establishments	5,743	6,300	6,500
Cattle identified for disease surveillance (millions)	21.26	22.32	22.50
Import Inspection:			
Animals (thousands)	1,204	1,400	1,500
Personally owned pet birds	2,000	2,200	2,200
Commercial birds (thousands)	700	650	650
Poultry (baby chicks & poults) (thousands)	7,000	7,000	7,000
Poultry hatching eggs (millions)	12,000	11,000	11,000
Export Inspection:			
Cattle, swine, sheep, goats, and horses	311,000	350,000	400,000
Chickens (thousands)	25,200	30,000	30,000
Dozens of hatching eggs (thousands)	14,300	14,000	14,500
International Programs:			
Number of vesicular disease investigations in Mexico and Central American countries	348	380	385
Veterinary Biologics:			
Number of serials processed	8,878	10,000	10,000
Percent of serials tested for:			
Potency	25.87	25	25
Purity	13.78	13	13
Sterility	12.52	15	15
Safety	.80	1	1
Chemistry	.75	1	1
Number of inspections:			
Indepth	33	23	30
Follow-up	8	12	18
Special	23	20	17
Veterinary Diagnostics:			
Number of import-export tests conducted at NVSL	94,000	94,000	94,000
Number of import-export tests conducted at FAADL	11,000	20,000	20,000
Number of diagnostic tests conducted at NVSL	300,000	325,000	325,000
Number of differential diagnostic tests conducted at NVSL	150,000	140,000	140,000
Number of bird quarantine tests conducted at NVSL	35,000	40,000	40,000
Number of reagent shipments	2,416,000	2,500,000	2,500,000
Brucellosis:			
Cattle:			
Market cattle identification reactor rate (%)	.23	.22	.20
Class Free status States*	26	27	32
Class Free & A status States	1	1	--
Class A status States	17	19	17
Class B status States	5	4	2
Class B & C status States	2	1	1
Class C status States	2	1	1
Total number of infected herds found during year	5,256	4,730	4,257
Swine:			
Percentage of eligible slaughter swine sampled	36	38	40
States with zero infection	30	32	34

Cattle ticks:			
Infested premises under treatment outside of quarantine zone at end of FY--Texas	13	11	11
Infested premises under treatment inside of quarantine zone at end of FY--Texas	13	12	12
Premises freed of ticks--Puerto Rico	6,240	8,500	8,500
Foot-and-Mouth Disease (Darien Gap):			
Number of vesicular disease investigations in Panama and Colombia	130	150	190
Miscellaneous Animal Diseases:			
Scrapie:			
Number of infected flocks found	37	25	25
Number of exposed flocks under surveillance	260	190	190
National Poultry Improvement Plan:			
Number of States classified as U.S. Pullorum Typhoid Clean	31	33	35
Number of egg and meat-type breeding flocks in Plan	3,500	3,600	3,600
Number of water fowl, exhibition poultry and game bird breeding flocks in Plan	3,000	2,000	2,000
Number of States classified as U.S. Mycoplasma Gallisepticum Clean (turkey)	7	9	10

* Includes Puerto Rico, U.S. Virgin Islands and the District of Columbia.

Pseudorabies:			
Pilot projects in Iowa, Illinois, Wisconsin, North Carolina and Pennsylvania			
Number of slaughter serum samples collected	99,272	80,000	--
Number of herds tested	1,379	700	--
Number of herds found infected	189	100	--
Screwworm:			
Cases in the United States	--	--	--
Cases in Mexican States bordering the United States	--	--	--
Sterile fly production--Tuxtla, Gutierrez, Mexico (millions weekly)	245	250	250
Swine Health Protection:			
Number of garbage inspections	56,868	60,289	60,289
Tuberculosis:			
States accredited free	30	31	32 1/
Herds located	22	20	18
Herds depopulated (per year)	12	14	16
Animal Welfare:			
Complaints investigated and resolved	752	800	600
Number of inspections conducted at licenses and/or registrants	16,370	14,000	12,500
Number of inspections conducted at air terminals	2,524	3,000	2,500
Number of violations processed	351	425	400
Horse Protection:			
Staff days and/or nights of inspecting or monitoring horse shows and sales	629	500	500

1/ Includes the Virgin Islands.

3. Animal Damage Control--APHIS, under the authority of the Animal Damage Control Act of 1931, conducts research and carries out cooperative programs to control wildlife-caused losses to agriculture, safety hazards at airports, and public nuisances in urban areas.

The Animal Damage Control (ADC) program was transferred to APHIS on December 19, 1985, pursuant to Public Law 99-190; H.J. Res. 465, 99 Cong. 1st Sess. 1985. The transfer of personnel, property, records, and unexpended appropriations associated with the program was completed by April 1, 1986. The program had previously been located in the U.S. Department of the Interior, within the Fish and Wildlife Service. The basic program mission is to identify, demonstrate, and apply the best methods of controlling wildlife conflicts with agriculture and public safety, and to conduct programs to reduce such conflicts.

The levels of animal damage control activities are shown by the selected examples that follow:

	1986 Actual	1987 Estimate	1988 Estimate
Number of livestock protected:			
Sheep and goats	5,763,139	6,051,296	3,025,648
Cattle	5,899,800	6,194,790	3,097,395
Crop acres protected:			
Small grains	900,164	945,172	472,586
Sunflowers	149,054	156,507	78,253
Fruit and nut orchards	71,403	74,973	37,487
Hay, alfalfa, and pasture	27,520	28,896	14,448
Citrus	25,000	26,250	13,125
Corn	22,420	23,541	11,771
Soybeans	6,204	6,514	3,257
Vineyards	3,030	3,182	1,591
Range and forest acres protected:			
Range	350,822	368,363	184,182
Forest	2,484,347	2,608,564	1,304,282
Health and safety accomplishments:			
Airports (assistance with bird control)	277	305	152
Rabies projects	12	13	7
Plague surveillance projects	5	6	3
Agency responded to the following number of requests for assistance:			
Agriculture	39,476	43,424	21,712
Urban	53,743	59,117	29,559
Human health and safety	6,898	7,588	3,794

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net decrease of $480,057 for plant disease and pest control activities, consisting of:

(a) An increase of $1,301,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $4,415,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) An increase of $9,728,000 for the agricultural quarantine inspection (AQI) program ($52,827,000 available in FY 1987).

Need for Change. The AQI program serves as this country's first line of defense against exotic pests and diseases. Each year the program's workload increases as the world economy becomes more integrated and international passenger traffic expands. FY 1986 was no exception with international air passenger inspections increasing to 32 million from 30 million in FY 1985. Also, program workload has increased due to the Custom Service's expanded use of accelerated passenger inspections at international airports. While these changes have been occurring, program funding has remained relatively static over the past few years, straining the Agency's ability to effectively protect U.S. agriculture from such pests as Medfly and diseases such as citrus canker, foot-and-mouth disease, and African swine fever. An increasing number of small pest introductions, such as oriental fruit fly, Africanized bee, and apple ermine moth, as well as large citrus canker and avian influenza outbreaks, are a cause for concern. The Department commissioned a Blue Ribbon panel in 1985 to review program performance and recommend new strategies for dealing with the increasing risk. The panel made several recommendations to improve and strengthen quarantine and inspection efforts.

Nature of Change. The additional funds will be used to considerably strengthen APHIS' ability to effectively carry out its front-line responsibilities. Specific items include increased staffing at airports, additional staff for new inspection stations, full implementation of a computer-based information system, and expanded use of X-ray technology and detector dog teams. These items address many of the recommendations contained in the 1985 Blue Ribbon panel report on measures to reduce the number of exotic pests and diseases entering the country. The program will become fully self-supporting in FY 1988 under proposed legislation to establish an inspection fee similar to the fees recently instituted by the Customs Service.

(c) An increase of $988,000 for the Mediterranean fruit fly program ($8,560,000 available in FY 1987).

Need for Change. The current program involves trapping and detection activities in the mainland United States, Puerto Rico, and the U.S. Virgin Islands, as well as a cooperative program involving APHIS, Mexico, and Guatemala to prevent the northward spread of the Medfly beyond the Guatemala-Mexico border. Spread of the pest into Mexico would pose a threat of infestation to U.S. citrus growing areas. Through the use of survey, quarantine, and control measures, including the release of sterile male flies, a Medfly barrier has been maintained. Program activities in the past 2 fiscal years have not significantly advanced the Medfly barrier in Guatemala, jeopardizing that government's cooperation in the program and placing Medfly-free areas of Mexico at risk.

Nature of Change. APHIS will increase survey, control, and quarantine enforcement activities, and move the Medfly barrier well within Guatemala.

(d) An increase of $607,000 for the the witchweed program ($4,522,000 available in FY 1987).

Need for Change. APHIS, in cooperation with State, local, and industry groups, conducts regulatory and eradication activities to control witchweed in North Carolina and South Carolina. Program activities have been effective in preventing pest spread to corn-producing States while eradicating the weed in several counties in the Carolinas. Since the beginning of the program approximately 300,000 acres have been released from quarantine regulations, including 16,667 in FY 1986. While the technology exists to completely eradicate witchweed, a heavily infested core area has only received limited suppression treatments. Intensification of the program will enable significant progress to be made toward eventual eradication of this pest.

Nature of Change. APHIS will carry out eradication measures in the core and periphery of all infested areas.

(e) A decrease of $2,706,000 for the boll weevil program ($2,919,000 available in FY 1987).

Need for Change. The cooperative North Carolina-South Carolina eradication program has achieved its goal of eradicating boll weevil from the North Carolina - South Carolina program area. Program plans call for the cooperators to assume responsibility for follow-up surveillance and maintenance of the buffer zone during FY 1988.

Since 1963, APHIS, in cooperation with the State of Texas and the High Plains Cottongrowers, Inc., has worked to prevent the spread of boll weevil into the noninfested cotton-producing regions of West Texas, New Mexico, Arizona, and California. Since program cooperators have substantial experience in effectively controlling the pest, APHIS believes it can safely eliminate its program role.

California, Arizona, and Mexico initiated a boll weevil eradication program in FY 1985. APHIS has provided technical assistance and a share of program costs. Plans call for program completion in FY 1987. The affected States and Mexico possess the ability to carry out follow-up surveillance activities and maintenance of the buffer zone.

Nature of Change.

No Federal funding will be provided for the Southeast, Southwest, or High Plains programs. APHIS will continue to conduct a limited amount of quarantine activities to protect areas where the pest has been eradicated.

(f) A decrease of $7,297,057 for the grasshopper program ($10,412,057 available in FY 1987).

Need for Change. The FY 1987 availability for APHIS includes $8.7 million in no-year funds designated for grasshopper control work. This includes $3.7 million from funds carried over from the prior fiscal year. As a result of cooperative activities with APHIS, States and ranchers are capable of assuming greater responsibility for survey and control activities.

APHIS will spend up to $3 million from the no-year control fund in FY 1987 to initiate a 5-year program of Integrated Pest Management (IPM) trials in search of long-term, environmentally acceptable solutions to the grasshopper problem.

Nature of Change. No funds will be provided for control activities in FY 1988. APHIS will continue to provide technical advice and limited survey support to States and local entities. In addition, the ongoing program of IPM trials will be continued at a reduced level. If the need arises in FY 1988, some of the remaining no year funds for grasshopper could be used.

(g) A decrease of $5,526,000 to eliminate the imported fire ant program ($5,526,000 available in FY 1987).

Need for Change. APHIS participates with States in a program to prevent the artificial long-distance spread of imported fire ant, and has worked with private industry and the Agricultural Research Service in the development of effective, environmentally safe control tools. Some funding is also made available to States to partially subsidize purchases of chemicals for individual use. None of the chemicals currently available and approved for use is appropriate for wide-scale use. Without a viable control agent, cooperator enthusiasm for the program has waned. Since a national effort to control fire ant is not possible at this time, continued Federal participation is not warranted. States should assume responsibility for providing control tools to individuals.

Nature of Change. States, communities, local organizations, and individuals will be encouraged to use available tools to combat imported fire ant infestations at the State and local level. APHIS involvement will be eliminated.

(h) A decrease of $750,000 to eliminate the noxious weeds program ($750,000 available in FY 1987).

Need for Change. APHIS has funded cooperative programs with the States to control and eradicate common crupina in Idaho, hydrilla in Florida and California, goatsrue in Utah, Orobanche ramosa in Texas, and Salsola vermiculata in California. As a result of successful trial projects, the States possess the ability to effectively undertake localized eradication programs.

Nature of Change. APHIS will turn over responsibility for all control and eradication activities under the noxious weeds program to the affected States. Agricultural quarantine inspection activities at international airports are adequate to prevent the entry of noxious weeds into the United States.

(i) A decrease of $1,240,000 for the pink bollworm program ($2,288,000 available in FY 1987).

Need for Change. The current program to combat pink bollworm includes the operation of a sterile moth-rearing facility at Phoenix, Arizona, participation in a cost-sharing program in the San Joaquin Valley of California, and participation in survey and regulatory activities. Experience gained by the States in the conduct of survey operations and in the cooperative program in the San Joaquin Valley have equipped them to assume full responsibility for these program elements.

Nature of Change. APHIS will relinquish its surveillance role and its assistance in the cooperative program in the San Joaquin Valley. The Agency will continue to operate the sterile moth-rearing facility and participate in regulatory activities.

(2) A net increase of $1,200,000 for animal disease and pest control activities, consisting of:

(a) An increase of $1,299,000 to annualize the 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $4,410,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) An increase of $500,000 for the animal health compliance and enforcement program ($13,442,000 available in FY 1987).

Need for Change. As interstate commerce increases, the volume and frequency of livestock movements has increased tremendously. In order to minimize the possibility of disease spread APHIS must increase inspections at markets and livestock concentration points. Although the rate of disease spread depends on the characteristics of the disease, undetected infection can rapidly escalate to epidemic proportions. For example, if foot-and-mouth disease were transmitted to livestock in a highly concentrated market, the disease could spread to 21 States within 72 hours. Animal health compliance and enforcement activities are crucial to prevent such disease outbreaks from becoming emergencies.

Nature of Change. APHIS will increase inspections of livestock markets, slaughter establishments, and quarantined feedlots. It also provides continued support for the purchase and installation of bar coding equipment at laboratories nationwide. This will improve the accuracy of reading and recording animal identification from the backtags of slaughtered animals and facilitate the tracing of diseased animals to their point of origin.

(c) An increase of $884,000 for the foot-and-mouth disease (FMD) program ($2,131,000 available in FY 1987).

Need for Change. Without proper protective measures, the Pan-American Highway could facilitate the spread of FMD northward from Colombia through Panama, Central America, Mexico and the United States. Recent finds of exposed animals and outbreaks in the areas adjacent to the FMD-free portion of northern Colombia have increased this risk and demonstrated the need to conduct program activities over a wider area. Increased program work now could enable the United States to eventually reduce or eliminate program costs by moving FMD safely away from the Panama-Colombia border. It will also help secure cooperation from the Government of Colombia and encourage that country to expand its role in FMD control.

Nature of Change. The Colombian Agricultural Institute (ICA)-USDA Cooperative FMD Program would be expanded to include an area adjacent to where current operations are conducted. The addition of this area would provide the additional surveillance needed to locate existing infected herds and animals. This will allow the program to strengthen our protection from FMD by creating an expanded FMD-free barrier between Panama and Colombia.

(d) A decrease of $3,143,000 for the brucellosis eradication program ($67,028,000 available in FY 1987).

Need for Change. As part of the 5-year phasedown plan of the State-Federal Cooperative Brucellosis Eradication Program, continued progress is being made in reducing the incidence of brucellosis. The current level of disease incidence dropped from .26 to .23 in FY 1986. Nearly 90 percent of the remaining infection is concentrated in the States of Arkansas, Florida, Louisiana, Mississippi, and Texas. By the end of FY 1987, we expect that only 6 States will have Class B or C Status - all other States will be in Free or Class A Status. Ongoing progress in reducing the incidence of brucellosis and economic losses continues; consequently Federal funding for the program can be reduced.

Nature of Change. The FY 1988 Budget continues the phasedown, begun in FY 1986, of the Brucellosis eradication program. The objective of the program is, with increased State and industry involvement, to bring all States to Class A Status or better by FY 1991. The program continues to focus on States with the highest level of infection and works to prevent the reintroduction of brucellosis into Free and low incidence States. Beginning in FY 1991, the Federal program will consist of disease surveillance and reporting and enforcement of interstate regulations.

(e) A decrease of $1,500,000 to eliminate the pseudorabies program ($1,500,000 available in FY 1987).

Need for Change. APHIS has concluded the pseudorabies pilot projects initiated over the past three years. Several States show the ability to develop their own pseudorabies eradication projects. Considering other Agency priorities and fiscal constraints, further involvement in pseudorabies eradication is inappropriate at this time.

Nature of Change. APHIS will discontinue all pseudorabies eradication efforts and will not participate in the State pilot projects.

(f) A decrease of $1,250,000 for the animal welfare program ($5,937,000 available in FY 1987).

Need for Change. States, industry, and humane groups should take some of the responsibility for the humane treatment of laboratory, exhibition, and pet animals. Given current fiscal constraints, the Department must concentrate limited resources in areas which will protect agriculture from pests and diseases. Consequently, the Department proposes a reduction in the animal welfare program.

Nature of Change. APHIS will not support the animal welfare research database at the National Agricultural Library and will reduce the average number of inspections by one-half for a total of one and one-half annually at research facilities and one annually at dealers and exhibitors.

(3) A net decrease of $9,711,000 for animal damage control (ADC), activities consisting of:

(a) An increase of $86,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $294,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) A decrease of $10,091,000 for animal damage control program operations ($21,810,000 available in FY 1987).

Need for Change. ADC's agricultural protection program protects agriculture including livestock, crops, forests, and rangeland from damage caused by animals. ADC's other component, public health and safety, provides protection from wildlife that constitute a public health and safety hazard. ADC program operations have been carried out cooperatively with other Federal agencies, States, and private organizations since 1931. Over the years, program cooperators have gained a significant level of expertise in dealing with animal control problems. Many of these problems are localized and vary from region to region in the United States. Accordingly, the current level of Federal involvement should be reduced.

Nature of Change. APHIS participation in agricultural protection activities will be substantially reduced and will focus on technical advice and assistance. Reductions in Federal activities will occur in all States, with States and ranchers responsible for nearly all operational control activities. APHIS will significantly reduce migratory bird problem control efforts and research activities. No new control tools will be developed. In the public health and safety area, operational programs involving prevention of bird-aircraft collisions at airports will be curtailed, with subsequent activities limited to the provision of technical assistance. Also, the Agency's involvement with States and other Federal agencies in rabies control activities will be discontinued.

(4) An increase of $4,000,000 to establish the biotechnology program ($0 available in FY 1987).

Need for Change. The breakthroughs of biotechnology represent one of the most significant scientific events of this century, and are the beginnings of what promises to become a major new industry. The Secretary has designated APHIS as the lead Agency responsible for coordinating the development and implementation of all matters and functions pertaining to the Department's regulation of biotechnology products. This is consistent with the Agency's long-standing responsibilities to regulate products which could affect animal and plant health.

At present, the biotechnology industry is gearing up to test a wide variety of biotechnologically derived products. In FY 1987, it is anticipated that this output will begin as a trickle with industry submitting approximately 50 applications for field tests, movement, importation, and commercial licenses for biotechnologically derived products. In following years, a sharp increase is expected to take place with approximately 300 applications projected for FY 1988, and 3,000 or more in FY 1989. To service this new and expanding industry, APHIS needs to rapidly upgrade its existing structure with new personnel trained in a wide range of highly specialized disciplines associated with the field of biotechnology, and to put in place well-defined regulatory procedures for the industry.

Nature of Change. The proposed program will build on APHIS' pre-existing structure rather than establish a new biotechnology entity within APHIS. The proposed funding will permit Plant Protection and Quarantine and Veterinary Services to supplement existing staff and equipment to provide adequate evaluation of applications and enforcement of regulations. In addition, APHIS will develop a highly specialized multi-disciplinary unit to establish specific regulatory procedures for each area of agricultural biotechnology under APHIS' jurisdiction and to coordinate the Agency's program.

(5) A decrease of $5,500,000 for the contingency fund ($10,000,000 available in FY 1987).

Need for Change. The contingency fund gives APHIS the flexibility to combat unforeseen pest and disease outbreaks, and to avoid more time-consuming processes for securing resources which could delay control operations and lead to more serious pest outbreaks. In FY 1987, Congress provided $10 million in contingency funds earmarked specifically for citrus canker and avian influenza, in equal amounts of $5 million. Because these problems now appear to be under control, additional earmarked funds are not required. Unrestricted contingency funds in the amount of $4,500,000 are needed to enable APHIS to deal with other types of unexpected plant and animal pest or disease situations which may arise during FY 1988.

Nature of Change. APHIS will continue to monitor and take appropriate measures to control small-scale plant and animal pest or disease outbreaks where necessary. The affected States and industries will be responsible for any additional activities necessary to control the current localized citrus canker and avian influenza problems.

Animal and Plant Health Inspection Service

Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1988 Current Law	1988 Program Changes	1988 President's Request
Agricultural quarantine inspection..	$66,981,000	-$66,981,000	--
Import-export of animals.....	8,649,000	-8,649,000	--
Veterinary biologics.....	8,681,000	-8,681,000	--
Veterinary diagnostics.....	10,907,000	-1,565,000	$ 9,342,000
All other.....	201,048,000	--	201,048,000
	$296,266,000	-$85,876,000	$210,390,000

Explanation of Proposed Legislation

When direct beneficiaries can be identified, users of APHIS services should pay for the costs of the service. The Agency proposes to charge for the following services now provided free of charge by APHIS.

- In the agricultural quarantine inspection program, all costs associated with preventing the introduction of agricultural pests and diseases. This includes the cost of passenger, baggage, and cargo inspections at ports-of-entry; development of new detection techniques such as X-rays and detector dogs; meeting the Agency's responsibilities with respect to the movement of endangered species.

- In the import-export inspection program, all costs associated with the import of animals and animal products. This includes the cost of inspection services at all import facilities, including Canadian border stations.

- In the veterinary biologics program, all costs associated with Agency efforts to prevent the production and distribution of worthless, contaminated, dangerous, or harmful veterinary biologics.

- In the veterinary diagnostics program, certain laboratory testing and reagent production performed for States, industry, universities, and other Federal agencies.

Legislation will be proposed to assess charges to the users of these services so that the cost of these programs will be borne by the program beneficiaries.

PLANT DISEASE AND PEST CONTROL
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988

	FY 1986		FY 1987		FY 1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$ 744,610	18	$ 726,000	17	$ 558,000	15
Alaska	258,938	7	253,000	7	310,000	7
Arizona	1,805,795	54	1,762,000	52	1,406,000	50
Arkansas	346,231	16	338,000	15	292,000	15
California	8,673,082	201	8,461,000	194	9,094,000	188
Colorado	240,208	5	234,000	5	247,000	5
Connecticut	258,385	6	252,000	6	267,000	6
Delaware	210,567	5	205,000	5	243,000	5
Florida	5,589,714	180	5,453,000	174	6,405,000	180
Georgia	1,033,712	23	1,008,000	22	904,000	20
Hawaii	5,097,877	156	4,973,000	151	6,245,000	163
Idaho	1,999,188	15	1,950,000	15	934,000	14
Illinois	988,253	27	964,000	26	1,157,000	26
Indiana	153,989	5	150,000	5	159,000	5
Iowa	172,349	5	168,000	5	177,000	5
Kansas	139,143	4	136,000	4	143,000	4
Kentucky	107,943	4	105,000	4	112,000	4
Louisiana	1,341,495	29	1,309,000	28	1,409,000	28
Maine	287,711	6	281,000	6	296,000	6
Maryland	12,890,584	272	12,576,000	263	13,432,000	262
Massachusetts	1,879,129	22	1,833,000	21	1,586,000	19
Michigan	1,070,737	36	1,045,000	35	1,105,000	34
Minnesota	1,995,619	78	1,947,000	76	2,070,000	75
Mississippi	2,122,740	60	2,071,000	58	1,313,000	48
Missouri	344,340	10	336,000	10	339,000	9
Montana	3,976,557	7	3,879,057	7	1,224,000	7
Nebraska	182,771	6	178,000	6	175,000	6
Nevada	132,202	5	129,000	5	127,000	5
New Hampshire	115,195	3	112,000	3	119,000	3
New Jersey	2,750,793	51	2,684,000	49	2,837,000	50
New Mexico	265,172	7	259,000	7	224,000	7
New York	5,326,847	162	5,197,000	157	6,317,000	166
North Carolina	3,776,310	70	3,684,000	68	3,575,000	55
North Dakota	739,898	5	722,000	5	308,000	5
Ohio	649,471	12	634,000	12	670,000	11
Oklahoma	257,211	7	251,000	7	176,000	7
Oregon	6,684,180	10	2,193,000	10	1,255,000	9
Pennsylvania	1,295,326	42	1,264,000	41	1,515,000	40
Rhode Island	104,211	3	102,000	3	107,000	3
South Carolina	1,963,623	48	1,916,000	46	1,532,000	31
South Dakota	76,407	5	75,000	5	79,000	5
Tennessee	297,880	10	291,000	10	248,000	9
Texas	12,281,886	282	11,982,000	273	12,186,000	245
Utah	1,193,045	10	1,164,000	10	520,000	7
Vermont	80,317	4	78,000	4	83,000	4
Virginia	783,896	20	765,000	19	922,000	20
Washington	1,047,344	27	1,022,000	26	1,232,000	26
West Virginia	265,480	7	259,000	7	274,000	7
Wisconsin	154,772	7	151,000	7	159,000	7
Wyoming	2,682,358	5	2,617,000	5	1,209,000	5
Washington, DC	2,678,895	64	2,613,000	62	2,646,000	61
Puerto Rico	3,352,257	125	3,270,000	121	4,097,000	125
Virgin Islands	256,396	8	250,000	8	312,000	8
Asia & Pacific	495,256	13	483,000	13	511,000	12
Bahamas	110,370	3	108,000	3	114,000	3
Bermuda	110,370	3	108,000	3	114,000	3
Europe & Africa	540,598	5	527,000	5	558,000	5
Guam	28,040	1	27,000	1	29,000	1
Guatemala	3,439,877	10	3,356,000	8	4,598,000	6
Mexico	4,357,185	13	4,251,000	10	4,378,000	8
Peru	100,504	2	98,000	2	104,000	2
Chile	114,198	4	111,000	4	118,000	4
Dominican Republic	198,149	5	193,000	5	204,000	5
Total, Available or Estimate	$112,617,586	2,315	$105,539,057	2,241	$105,059,000	2,176

ANIMAL DISEASE AND PEST CONTROL
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988

	FY 1986		FY 1987		FY 1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$ 2,562,311	39	$ 2,617,000	38	$ 2,618,000	37
Alaska	60,111	1	61,000	1	61,000	1
Arizona	1,007,486	18	1,020,000	18	1,034,000	17
Arkansas	3,127,738	53	3,151,000	51	3,162,000	50
California	3,344,520	61	3,438,000	58	3,483,000	58
Colorado	5,011,987	66	5,209,000	64	5,150,000	62
Connecticut	112,525	2	113,000	2	114,000	2
Delaware	43,814	1	44,000	1	45,000	1
Florida	9,697,791	148	10,052,000	143	10,052,000	141
Georgia	2,596,370	40	2,606,000	38	2,622,000	38
Hawaii	1,103,520	20	1,057,000	19	1,089,000	19
Idaho	1,652,672	30	1,715,000	29	1,724,000	28
Illinois	1,474,761	25	1,488,000	24	1,311,000	21
Indiana	1,002,047	17	1,002,000	17	954,000	15
Iowa	15,840,144	250	15,123,000	243	15,320,000	239
Kansas	2,400,498	35	2,431,000	34	2,422,000	34
Kentucky	3,823,164	65	3,973,000	63	3,970,000	62
Louisiana	3,354,859	51	3,351,000	49	3,374,000	49
Maine	212,118	4	216,000	4	217,000	3
Maryland	16,842,628	244	17,215,000	236	17,294,000	233
Massachusetts	753,042	13	752,000	12	759,000	12
Michigan	1,122,713	19	1,126,000	19	1,138,000	18
Minnesota	3,607,056	91	3,647,000	88	3,733,000	87
Mississippi	3,398,880	52	3,452,000	50	3,459,000	50
Missouri	2,816,381	47	2,847,000	46	2,852,000	45
Montana	734,294	13	747,000	13	757,000	13
Nebraska	1,545,698	26	1,565,000	25	1,569,000	25
Nevada	633,139	11	644,000	11	652,000	11
New Hampshire	109,599	2	110,000	2	111,000	2
New Jersey	505,547	6	355,000	6	358,000	6
New Mexico	1,442,331	26	1,446,000	25	1,469,000	25
New York	6,567,492	100	6,106,000	96	6,250,000	95
North Carolina	1,209,720	18	1,185,000	18	1,019,000	15
North Dakota	592,454	10	585,000	10	588,000	9
Ohio	1,024,627	18	1,029,000	17	899,000	14
Oklahoma	3,956,683	66	4,027,000	64	4,032,000	63
Oregon	574,918	10	573,000	10	580,000	10
Pennsylvania	1,416,278	19	1,093,000	18	919,000	15
Rhode Island	49,110	1	49,000	1	49,000	1
South Carolina	784,274	12	774,000	12	778,000	11
South Dakota	1,068,311	18	1,061,000	17	1,067,000	17
Tennessee	2,897,877	44	2,918,000	43	2,929,000	42
Texas	15,182,903	258	15,427,000	249	15,486,000	245
Utah	484,224	9	489,000	8	496,000	8
Vermont	186,175	3	185,000	3	187,000	3
Virginia	642,457	11	646,000	11	650,000	10
Washington	903,598	16	900,000	16	913,000	15
West Virginia	459,150	8	464,000	8	466,000	7
Wisconsin	1,228,260	21	1,246,000	20	1,174,000	19
Wyoming	450,508	8	454,000	8	454,000	8
Washington, DC	2,999,005	68	3,066,000	66	3,152,000	66
Puerto Rico	3,987,683	61	3,251,000	59	3,387,000	59
Asia & Pacific	137,822	1	146,000	1	149,000	1
Central America	268,409	3	285,000	3	293,000	3
Colombia	1,003,743	1	1,016,000	1	1,440,000	1
Europe & Africa	163,398	1	173,000	1	176,000	1
Dominican Rep	92,975	1	98,000	1	101,000	1
Haiti	11,874	0	13,000	0	13,000	0
Mexico	26,409,288	47	28,647,000	46	28,767,000	46
Panama	916,824	3	929,000	3	1,321,000	3
Total, Available or Estimate	167,609,784	2,312	169,408,000	2,239	170,608,000	2,192

ANIMAL DAMAGE CONTROL
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988

	FY 1986		FY 1987		FY 1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	33,484	1	36,000	1	37,000	0
Alaska	61,763	2	85,000	2	88,000	1
Arizona	418,791	10	383,000	7	191,000	3
Arkansas	207,070	6	209,000	5	106,000	2
California	1,182,989	30	1,248,000	30	613,000	15
Colorado	4,398,439	72	4,658,000	58	2,540,000	29
Connecticut	17,576	0	23,000	0	23,000	0
Delaware	24,000	0	21,000	0	21,000	0
Florida	179,972	3	206,000	2	151,000	1
Georgia	53,876	2	59,000	0	61,000	0
Hawaii	20,379	1	116,000	1	116,000	1
Idaho	1,005,006	20	977,000	13	499,000	7
Illinois	97,860	4	106,000	4	110,000	2
Indiana	132,257	6	159,000	6	81,000	2
Iowa	22,845	0	28,000	0	28,000	0
Kansas	299,222	8	328,000	7	166,000	3
Kentucky	218,847	4	217,000	3	155,000	2
Louisiana	198,277	6	212,000	5	108,000	2
Maine	61,815	2	66,000	2	69,000	1
Maryland	995,651	18	934,000	21	545,000	12
Massachusetts	17,545	2	23,000	2	24,000	1
Michigan	92,456	2	70,000	2	73,000	1
Minnesota	440,389	22	922,000	20	522,000	10
Mississippi	33,484	1	36,000	1	37,000	1
Missouri	22,813	2	28,000	2	30,000	1
Montana	708,063	30	739,000	26	378,000	12
Nebraska	219,264	9	235,000	8	118,000	4
Nevada	556,296	13	578,000	11	294,000	6
New Hampshire	40,501	2	39,000	2	41,000	1
New Jersey	59,597	4	62,000	2	65,000	1
New Mexico	967,189	30	998,000	26	506,000	13
New York	56,692	2	60,000	2	62,000	1
North Carolina	67,606	2	69,000	2	72,000	1
North Dakota	451,368	15	304,000	8	152,000	4
Ohio	231,621	5	229,000	3	121,000	2
Oklahoma	299,003	7	328,000	6	166,000	3
Oregon	836,973	12	808,000	7	392,000	4
Pennsylvania	59,660	0	62,000	0	64,000	0
Rhode Island	17,576	0	23,000	0	23,000	0
South Carolina	52,508	2	59,000	2	61,000	1
South Dakota	354,850	2	359,000	2	180,000	1
Tennessee	349,861	5	321,000	3	170,000	2
Texas	1,842,775	46	1,775,000	37	904,000	19
Utah	1,014,114	19	1,048,000	16	544,000	8
Vermont	40,532	0	39,000	0	39,000	0
Virginia	61,958	2	67,000	2	70,000	1
Washington	506,877	4	498,000	3	259,000	2
Washington, DC	494,632	21	752,000	15	438,000	7
West Virginia	63,242	2	68,000	2	71,000	2
Wisconsin	108,271	0	88,000	0	88,000	0
Wyoming	802,588	23	838,000	21	427,000	8
Total, Available or Estimate	20,500,423	481	21,596,000	400	12,099,000	200

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language is underscored; deleted matter is enclosed in brackets):

Buildings and Facilities

For plans, construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities, as authorized by 7 U.S.C. 2250, and acquisition of land as authorized by 7 U.S.C. 428a, [$2,246,000] $2,347,000.

BUILDINGS AND FACILITIES

PROJECT STATEMENT

	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Construction of facilities	$1,351,064	$8,517,589	-$5,870,589	$2,647,000
Unobligated balance available, start of year	-3,868,653	-6,571,589	+ 6,271,589	- 300,000
Unobligated balance available, end of year	6,571,589	300,000	- 300,000	--
Total, Available or estimate	4,054,000	2,246,000	+ 101,000 (1)	2,347,000

EXPLANATION OF PROGRAM

The APHIS appropriation "Buildings and Facilities" funds major nonrecurring construction projects in support of specific program activities and recurring construction, alterations, and repairs of existing APHIS facilities. The entire FY 1988 request is for the latter activities.

(1) An increase of $101,000 for buildings and facilities.

Need for Change. The 1988 appropriation will provide for repairs and alterations as needed to APHIS operated facilities including animal quarantine stations, border inspection stations, sterile insect rearing facilities and laboratories. The maintenance of these facilities is essential for the efficient operation of agency programs.

Nature of Change. Priority listings of minor construction, repairs, and alterations to existing facilities will be prepared. They will be reviewed by Agency officials to determine those construction and repair items that will enable the Agency to carry out its assigned missions.

PASSENGER MOTOR VEHICLES

The 1988 Budget Estimates propose replacement of 193 of the presently authorized 772 passenger motor vehicles. All are fully utilized and those scheduled for replacement will either be over 6 years old or have 60,000 miles on them.

The Animal and Plant Health Inspection Service uses approximately 96 percent of its vehicles in daily travel for the control and eradication of brucellosis, tuberculosis, cattle tick fever, various plant pests and diseases, and animal damage control. The Agency uses the remaining 4 percent for travel related to animal and plant quarantine work. Frequently, they are operated over rugged roads and terrain under adverse weather conditions. Maintaining these vehicles in safe, dependable operating condition is expensive, but essential. The control, eradication, testing, and inspection activities cannot be done without their use.

The requested replacements will be substituted for those cars which have become uneconomical to continue to operate because of their age, mileage, or both.

Age and Mileage Data for passenger-carrying motor vehicles on hand as of September 30, 1986:

Age Data		
Age-Year Model	Number of Vehicles	Percent of total
1981 or older	60	9.33
1982	112	17.42
1983	135	21.00
1984	160	24.88
1985	45	7.00
1986	131	20.37
	643	100.00

Mileage Data		
Lifetime Mileage (Thousands)	Number of Vehicles	Percent of total
Over 100	6	.93
80 - 100	31	4.82
60 - 80	101	15.71
40 - 60	168	26.13
20 - 40	159	24.73
Under 20	178	27.68
	643	100.00

AIRCRAFT

The 1988 Budget Estimates propose the acquisition of one additional aircraft and the replacement of one of the aircraft presently maintained by the Agency. There are presently twenty aircraft in the Agency fleet, one for Veterinary Services, eleven for Plant Protection and Quarantine, and eight for Animal Damage Control programs. Thirteen of the twenty planes were built prior to 1975.

Additional Aircraft

One additional aircraft, if needed, will be used by the screwworm program as an observation plane in extreme Southeast Mexico and adjacent areas of Central America. These planes fly behind planes that are releasing sterile screwworm flies to monitor their procedures to ensure proper delivery and to gather data obtainable only by inflight observation.

The data collected by an observation plane will allow the Agency to evaluate the technique of the fly release system currently used and modify it, if necessary, to achieve greater effectiveness in the release procedure.

The Agency has been utilizing contract aircraft in Mexico for the joint U.S.-Mexican eradication program. An observation plane will be purchased if needed to monitor this operation.

Replacement

The one aircraft for replacement will be utilized primarily in plant pest control operations. These aircraft are sometimes used to supervise and observe contract planes which are newer, faster models than those the Agency has available. While this replacement authority is requested each year in the appropriation act, the aircraft will be replaced only if necessary to maintain the fleet in safe and efficient operating condition.

The plant protection aircraft make aerial surveys and aerial application tests, are used for insect trapping operations, and to demonstrate the use of special equipment for suppression of destructive insects attacking crops.

AGRICULTURAL MARKETING SERVICE

Purpose Statement

The Agricultural Marketing Service (AMS) was established by the Secretary of Agriculture on April 2, 1972. AMS carries out programs authorized by some 31 different statutory authorities, the primary ones being the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627); the U.S. Cotton Standards Act (7 U.S.C. 51-65); the Cotton Statistics and Estimates Act (7 U.S.C. 471-476); the Tobacco Inspection Act (7 U.S.C. 511-511q); the Perishable Agricultural Commodities Act (7 U.S.C. 499a-499s); the Egg Products Inspection Act (21 U.S.C. 1031-1056); and Section 32 (15 U.S.C. 713c).

The primary objective of AMS is to enhance the marketing and distribution of agricultural products from the nation's farms. This is achieved through the collection and dissemination of market news information, the establishment of grading standards, inspection and grading services, and various marketing development programs. Approximately three-fourths of the funds needed to finance these activities are derived from user fees.

The Agricultural Marketing Service administers the following programs:

1. Market news service: The market news program entails the collection, analysis and dissemination of supply, inventories, prices and other market information for numerous agricultural commodities, including cotton and cottonseed; dairy products; fruits and vegetables; livestock, meat and grains; poultry products; and tobacco.

   Market news provides timely, accurate, and unbiased information to assist producers, growers, and marketers of farm products in making critical decisions of where and when to sell, and at what price. The collection of market information is a joint effort by both Federal and State reporters.

2. Inspection, grading and standardization services: AMS develops and maintains standards of quality and condition for use in the grading of agricultural commodities. These standards provide a common language of trade for buyers and sellers of these commodities both here and abroad. AMS provides grading and certification services upon request for numerous agricultural commodities, including cotton, dairy products, fruits and vegetables, livestock and meat, poultry and eggs, and tobacco. AMS also provides continuous in-plant inspection to manufacturers of liquid, frozen, or dried egg products; inspects egg handlers and hatcheries quarterly to ensure the proper disposition of restricted eggs; and controls the importation of egg products to ensure that U.S. requirements are met. AMS also develops and maintains standard food specifications to provide a more efficient Federal food procurement service.

   The inspection and grading activities are performed by Federal and Federally-supervised State employees. The egg products inspection program is mandatory and is funded from appropriations while grading activities are provided on a fee-for-service basis.

3. Market protection and promotion services: AMS administers several laws to ensure proper marketing practices, stimulate innovative and improved commodity marketing, and provide assistance to industry-sponsored activities. The Federal Seed Act requires truthful labeling of seeds shipped interstate to prevent misrepresentation. The Plant Variety Protection Act encourages the development of novel varieties of sexually reproduced plants by providing patent-like protection to developers. Oversight and direction is provided to several industry funded research and promotion programs which are designed to broaden and enhance the market for domestically produced commodities.

4. Wholesale market development: Under this program, AMS provides technical advice and assistance to States and municipalities interested in creating new or upgrading current wholesale market facilities. AMS also conducts cooperative feasibility studies with other government agencies and the private sector to evaluate and suggest improvements in the efficiency with which agricultural commodities are handled and marketed.

5. Federal-State marketing improvement program: This program provides matching funds to State Departments of Agriculture for projects intended to improve the marketing of farm commodities. These funds enable the States to conduct marketing projects to improve local marketing systems. The aim of the program is to reduce the marketing costs for producers and, ultimately, the retail cost of food to consumers. Projects include work in innovative marketing techniques, testing study findings in the marketplace, and developing State expertise in providing service to marketers of agricultural commodities.

6. Perishable Agricultural Commodities Act: Through legal recourse procedures this program protects fresh fruit and vegetable producers, shippers, distributors and retailers from financial loss due to unfair and fraudulent practices in the marketing of perishable agricultural commodities. This program also prohibits the unwarranted destruction or dumping of farm products handled for others.

7. Strengthening markets, income, and supply (Section 32): This program provides price assistance to producers by contracting for the purchase of surplus and, as necessary, other agricultural commodities from regular market outlets. These surplus commodities are transferred to the Food and Nutrition Service to maintain programmed levels of assistance to schools, to the elderly and to other domestic food assistance programs.

   AMS supervises the administration of the marketing agreements and orders program and conducts public hearings and referenda to determine producer sentiment toward new order programs and revisions of current programs. Marketing orders maintain orderly market conditions by establishing minimum prices which handlers pay to producers for milk and dairy products and by regulating the quality, quantity, or size of fruits and vegetables which handlers may market in commercial channels.

8. Work performed for others: AMS provides services for Federal, State, and private industry on a reimbursable basis, primarily in connection with the Federal/State market news program and the commodity grading and inspection programs.

AMS headquarters are located in Washington, D.C., with approximately 223 year-round and seasonal field offices. The peak employment period for AMS occurs from October through January, due to the seasonal nature of the cotton, tobacco, and fruit and vegetable grading programs. Employment during the peak period averaged 5,179 during fiscal year 1986. On September 30, 1986, there were 3,483 full-time employees and 1,461 other than permanent full-time employees. Of this number, employees assigned to field office locations totaled 2,866 full-time and 1,430 other than permanent full-time employees.

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Agricultural Marketing Service:						
Marketing Services	$30,481,000	660	$31,400,000	685	$33,081,000	685
Payments to States and Possessions	942,000	--	942,000	--	--	--
Total	31,423,000	660	32,342,000	685	33,081,000	685
Obligations under other USDA appropriations:						
Agricultural Research Service for general telegraphic service	12,128	--	9,000	--	9,000	--
Agricultural Stabilization & Conservation Service for statistical services	15,000	--	15,000	--	15,000	--
Farmers Home Administration for general telegraphic services	5,731	--	5,000	--	5,000	--
Forest Service for general telegraphic services	5,028	--	--	--	--	--
Federal Grain Inspection Service for statistical services	204,955	5	152,000	4	152,000	4
Food and Nutrition Service for commodity procurement services	201,000	6	201,000	6	201,000	6
Foreign Agri. Service for general telegraphic services	25,115	--	112,000	2	112,000	2
Office of International Cooperation & Development for general telegraphic services	7,139	--	5,000	--	5,000	--
Packers & Stockyards Administration for statistical services	25,000	--	25,000	--	25,000	--
NASS for statistical services	10,000	--	10,000	--	10,000	--
Miscellaneous Reimbursements	24,859	--	18,000	--	18,000	--
Total, Other USDA Appropriations	535,955	11	552,000	12	552,000	12
Total, Agriculture Appropriations	31,958,955	671	32,894,000	697	33,633,000	697
Permanent Appropriations:						
Funds for strengthening Markets, Income, and Supply (Sec. 32)	3,692,021,771	126	3,787,648,275	147	3,788,000,000	147

(Continued on next page)

AGRICULTURAL MARKETING SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Recoveries from prior year obligations						
Carryin	178,830,327	--	158,931,405	--	224,667,449	--
Deduct transfers out	-3,315,298,824	--	-3,353,363,231	--	-3,426,012,000	--
Deduct carryout	-158,931,405	--	-224,667,449	--	-225,000,449	--
Net AMS	396,621,869	126	368,549,000	147	361,655,000	147
Perishable Agricultural Commodities Act Fund	3,459 883	95	4,014,000	99	4,240,000	99
Total, Permanent Appropriations	400,081,752	221	372,563,000	246	365,895,000	246
Other Federal Funds:						
Veterans Administration for general telegraphic services	125,000	2	--	--	--	--
Non-Federal Funds:						
American Egg Board for research work	49,657	1	56,000	1	56,000	1
Beef Board for research work	27,000	--	119,000	2	119,000	2
Pork Board for research work	151,000	2	119,000	3	119,000	3
Cotton Board for research work	103,399	2	112,000	2	112,000	2
Dairy Industry for research work	299,923	5	332,000	6	332,000	6
Egg products inspection	460,266	10	450,000	10	450,000	10
Fees for grading of cotton and tobacco	31,572,794	633	35,947,000	656	30,742,000	656
Grading of farm products for producers, processors, and Municipal, State and Federal Agencies	81,018,546	2,113	91,881,000	2,133	85,979,000	2,112
Milk Market Administrators for Federal Telecommunications System & employee compensation	84,000	--	90,000	--	90,000	--
Potato Board for research work	40,416	1	40,000	1	40,000	1
States for collection & dissemination of market news information	174,277	5	154,000	5	154,000	5
Wheat Industries Council for wheat research	46,056	1	12,000	--	--	--
Total, Non-Federal Funds	114,027,334	2,773	129,312,000	2,819	118,193,000	2,798
Milk Market Orders Assessment Funds	32,636,274	602	35,110,000	604	35,110,000	604
Total, Agricultural Marketing Service	578,829,315	4,269	569,879,000	4,366	552,831,000	4,345

Full-time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	4,054	4,136	4,115
Non-Ceiling	215	230	230
Total	4,269	4,366	4,345

AGRICULTURAL MARKETING SERVICE
Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

GRADE	1986			1987			1988		
	HEADQUARTERS	FIELD	TOTAL	HEADQUARTERS	FIELD	TOTAL	HEADQUARTERS	FIELD	TOTAL
ES-6	2	--	2	2	--	2	2	--	2
ES-5	1	--	1	1	--	1	1	--	1
ES-4	4	--	4	4	--	4	4	--	4
ES-3	5	--	5	5	--	5	5	--	5
ES-2	--	--	--	--	--	--	--	--	--
ES-1	--	--	--	--	--	--	--	--	--
GS/GM-15	23	2	25	23	2	25	23	2	25
GS/GM-14	59	19	78	59	19	78	59	19	78
GS/GM-13	98	57	155	103	58	161	103	54	157
GS-12	109	161	270	115	160	275	115	156	271
GS-11	37	225	262	40	236	276	40	234	274
GS-10	--	21	21	--	21	21	--	21	21
GS-9	48	781	829	46	790	836	46	788	834
GS-8	8	250	258	8	261	269	8	261	269
GS-7	52	241	293	56	250	306	56	247	303
GS-6	42	31	73	45	30	75	45	28	73
GS-5	52	171	223	52	170	222	52	168	220
GS-4	37	148	185	39	154	193	39	152	191
GS-3	18	18	36	17	17	34	17	17	34
GS-2	5	--	5	4	--	4	4	--	4
GS-1	1	--	1	1	--	1	1	--	1
Milk Market Orders Administrators and Staff	--	616	616	--	621	621	-	621	621
Ungraded	2	23	25	2	26	28	2	26	28
Total Permanent Positions	603	2,764	3,367	622	2,815	3,437	622	2,794	3,416
Staff-Years:									
Ceiling	606	3,448	4,054	631	3,505	4,136	631	3,484	4,115
Non-Ceiling	9	206	215	13	217	230	13	217	230
TOTAL	615	3,654	4,269	644	3,722	4,366	644	3,701	4,345

AGRICULTURAL MARKETING SERVICE

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$5,869,520	$6,156,000	$6,264,000
Field	12,530,232	13,265,000	13,497,000
11 Total personnel compensation	18,399,752	19,421,000	19,761,000
12 Personnel benefits	2,362,316	2,997,000	4,492,000
13 Benefits for former personnel	66,944	72,000	72,000
Total Personnel Compensation and Benefits	20,829,012	22,490,000	24,325,000
Other Objects:			
21 Travel	1,131,416	1,348,000	1,276,000
22 Transportation of things	177,760	169,000	160,000
23.2 Rental payments to others	237,000	252,000	239,000
23.3 Communications, utilities and misc. charges	1,704,060	1,717,000	1,725,000
24 Printing and reproduction	193,921	183,000	173,000
25 Other services	4,264,393	4,171,000	4,170,000
26 Supplies and materials	566,080	543,000	514,000
31 Equipment	903,555	527,000	499,000
41 Grants, subsidies, and contributions	942,000	942,000	--
43 Interest and dividends	2,060	--	--
Total Other Objects	10,122,245	9,852,000	8,756,000
Total Direct Obligations	30,951,257	32,342,000	33,081,000
Position Data:			
Average Salary, ES positions	$68,422	$70,506	$70,506
Average Salary, GM/GS positions	$26,517	$27,320	$27,307
Average Grade, GM/GS positions	8.8	8.8	8.8

AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Marketing Services:

For necessary expenses to carry on services related to consumer protection, agricultural marketing and distribution and regulatory programs as authorized by law[, and for administration and coordination of payments to States]; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $70,000 for employment under 5 U.S.C. 3109, [$30,945,000] $33,081,000; of which not less than $1,618,000 shall be available for the Wholesale Market Development Program for the design and development of wholesale and farmer market facilities for the major metropolitan areas of the country: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

The change proposes deletion of the language related to the administration and coordination of the separate appropriation account, "Payments to States and Possessions" since no funding is proposed for this program in FY 1988.

MARKETING SERVICES - CURRENT LAW

Appropriation Act, 1987		$30,945,000
Budget Estimate, Current Law, 1988		33,081,000
Increase in Appropriation		+2,136,000
Adjustments in 1987:		
Appropriation Act, 1987	$30,945,000	
Transfer to Departmental Administration	-35,000 a/	
For increased retirement costs	+490,000	
Adjusted base for 1987		31,400,000
Budget Estimate, Current Law, 1988		33,081,000
Increase over adjusted 1987		+1,681,000

a/ Transfer of $35,000 to Departmental Administration for activities previously handled on a reimbursable basis as a direct appropriation in FY 1988.

MARKETING SERVICES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	$33,081,000
Change due to proposed legislation	-33,081,000
Net Request, President's 1988 Budget Request	--

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Market News Service	$14,607,000	+$1,005,000	-$224,000	$15,388,000
Inspection and Standardization	13,302,000	+899,000	-218,000	13,983,000
Market Protection and Promotion	1,963,000	+129,000	--	2,092,000
Wholesale Market Development	1,528,000	+90,000	--	1,618,000
Total Available	31,400,000	+2,123,000 a/	-442,000	33,081,000

a/ Includes an increase of $713,000 for pay increases effective in FY 1987 and $1,410,000 for increased retirement costs.

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

	1986 Actual		1987 Estimated			1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Increase or Decrease	Amount	Staff-Years
1. Market News Service:							
(a) Cotton and cottonseed.	$1,587,332	31	$1,550,000	31	+$75,000	$1,625,000	31
(b) Dairy products ..	439,747	10	382,000	9	+34,000	416,000	9
(c) Fruits and vegetables.	4,004,908	105	4,242,000	107	+218,000	4,460,000	107
(d) Livestock, meats&grain	5,519,739	130	5,728,000	135	+323,000	6,051,000	135
(e) Poultry products ..	1,844,572	41	1,950,000	41	+101,000	2,051,000	41
(f) Tobacco	625,194	17	755,000	20	+30,000	785,000	20
Total, Market News Service	14,021,492	334	14,607,000	343	+781,000 (1)	15,388,000	343

(Continued on next page)

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff-Years	1987 Estimated Amount	1987 Estimated Staff-Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff-Years
2. Inspect. and Standardiza.							
(a) Egg products inspection	$8,501,207	179	$9,073,000	190	+$443,000	$9,516,000	190
(b) Standardization	3,839,604	76	4,229,000	82	+238,000	4,467,000	82
Total, Inspect., & Standardiza.	12,340,811	255	13,302,000	272	+681,000 (2)	13,983,000	272
3. Market Protection and Promotion:							
(a) Federal Seed Act	989,694	23	977,000	23	+56,000	1,033,000	23
(b) Plant Variety Protection Act	318,036	7	217,000	5	+28,000	245,000	5
(c) Export Fruit Acts	29,288	1	27,000	1	+2,000	29,000	1
(d) Market development and assistance	660,851	13	742,000	14	+43,000	785,000	14
Total, Market Protection and Promotion	1,997,869	44	1,963,000	43	+129,000 (3)	2,092,000	43
4. Wholesale Market Development	1,613,510	27	1,528,000	27	+90,000 (4)	1,618,000	27
Unobligated bal.	507,318	--	--	--	--	--	--
Total Available or estimate	30,481,000	660	31,400,000	685	+1,681,000	33,081,000	685
Transfers to:							
Economic Research Svc. and Assistant Secretary for Economics	+128,000	--	--				
Departmental Administration	+35,000	--	+35,000				
Proposed Supplemental for FERS	--	--	-490,000				
Total, appropriation	30,644,000	660	30,945,000				

EXPLANATION OF PROGRAM

1. Market News Service:

The market news program is carried out under the following authorities:

Agricultural Marketing Act of 1946
Cotton Statistics and Estimates Act of 1927
Naval Stores Act
Tobacco Statistics Act
Tobacco Inspection Act of 1946
U.S. Cotton Futures Act
Peanut Statistics Act
Food Security Act of 1985

Market news information is gathered on various agricultural products including dairy products, fruits and vegetables, livestock and meat, grain, poultry, eggs, cotton and tobacco. Market news provides those engaged in the production and marketing of farm products, as well as those supplying the farm market, with timely, accurate, and unbiased market information. This market information covers local, regional, national, and international markets and includes current data on supply, movement, contractual agreements, inventories, and prices at specific markets for practically all agricultural commodities. On a day-to-day basis those interested in market conditions are in a position to make the critical decisions of where and when to sell, and at what price.

Market information is obtained by both Federal and State reporters at trading points or by telephone. Information collected by these reporters is analyzed and disseminated immediately to the agricultural community by automatic telephone answering devices, printed reports, radio and television, newspaper columns, and data networks. National information is integrated with local information and released in a form easily understood by the industry and locality served. Since October 1981, AMS has charged subscription fees to cover postage and handling for all mailed commodity market news reports, except cotton and tobacco.

AMS completed the upgrade of the land-based data communications network to a satellite communications network in fiscal year 1986. In cooperation with AMS, the University of Florida will undertake a study to suggest ways to increase the efficiency of the AMS market reporting system.

Market News Workload Data, FY 1986:

Commodity Group	Field Offices		Buyers and Sellers Interviewed	Printed Reports (Thous.)	Number on Mailing List	No. of Federal Reporters	No. of Markets Covered
	Year Round	Seasonal					
Cotton and Cottonseed	20	--	850	420	7,047	27	30
Dairy and Dairy Products	2	--	500	86	2,214	6	45
Fruits and Vegetables	35	20	9,980	1,423	22,969	53	770
Livestock, Grain, and Meat	53	--	14,600	282	5,835	81	659
Poultry and Eggs	16	--	1,600	110	1,464	26	81
Tobacco	2	2	500	17	955	3	150

Legislation is being proposed to permit collection of user fees to fully fund activities beginning in FY 1988.

2. Inspection, Grading and Standardization:

This program is carried out under the following authorities:

Agricultural Marketing Act of 1946
Agricultural Fair Practices Act
Cotton Statistics and Estimates Act of 1927
U.S. Cotton Futures Act
United States Cotton Standards Act
Naval Stores Act
Tobacco Inspection Act of 1946
Tobacco Statistics Act
Wool Standards Act
Egg Products Inspection Act
Dairy and Tobacco Adjustment Act of 1983
Food Security Act of 1985

This program covers three distinct areas that facilitate the domestic and international marketing of agricultural commodities: egg products inspection, development and maintenance of commodity quality standards, and commodity grading.

a. Standards. AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes such as taste, color, texture, yield, weight, and physical condition. Standards are developed for use in grading cotton, tobacco, naval stores, wool, mohair, livestock and meat, poultry, eggs, fruits, vegetables, and dairy products.

Standardization Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
International and U.S. standards in effect, end of year	589	590	589
Number of commodities covered	181	183	184
Standards revised	16	54	10

AMS also develops, coordinates, and approves Federal food product descriptions and establishes quality assurance policies and procedures for the procurement of food by USDA, the Department of Defense, St. Elizabeth's Hospital, Indian Health Service, National Institutes of Health, Bureau of Prisons, National Marine Fisheries Services, and the Veterans Administration. The major goal of this program is to update and streamline Federal food specifications to improve the cost efficiency of Federal food purchasing by using commercial item descriptions wherever possible.

Federal Food Specification Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
Commercial Item Descriptions (CID's) developed, coordinated and approved	7	15	15
CID's revised	11	6	6
Federal specifications approved	1	3	3
Department of Defense food documents coordinated	20	25	25
Documents cancelled	28	30	30

Legislation is being proposed for FY 1988 to provide for collection of user fees to fund the costs for commodity standardization activities that are directly related to our current grading programs.

b. Grading. The grading process involves the application of quality standards to agricultural commodities. Grading services are offered to users, who pay published fees for services provided. These services facilitate marketing by permitting purchasers to buy commodities without having to personally inspect them and by providing an impartial evaluation of the quality of products prior to their sale. AMS certification services provide assurance to buyers that the products they receive are the quantity and quality specified in their contract with the seller.

Grading Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
Cotton Classifications (thousand bales):			
Smith-Doxey Amendment	12,509	9,095	10,435
United States Cotton Standards Act:			
Public Classing Service	29	29	29
U.S. Cotton Futures Act	104	200	200
Total, Cotton Classifications	12,642	9,324	10,664
Cottonseed Grade Certificates Issued: (thousands)	35	26	30
Poultry and Egg Grading:			
Poultry products graded (includes rabbits - million pounds)	13,580	14,320	14,840
Shell eggs graded (million dozen)	1,758	1,725	1,690
Pounds accepted (poultry - million pounds)	686	820	860
Dozens accepted (eggs - million dozen)	452	440	430
Meat Grading:			
Meat graded (million pounds)	13,071	13,000	13,000
Meat accepted (million pounds)	900	800	800
Livestock Grading:			
Livestock graded (million pounds)	209	184	184
Fresh Fruit and Vegetable Grading:			
Product inspected (million pounds)	69,000	71,500	72,300
Processed Fruit and Vegetable Grading:			
Product inspected (million pounds)	14,893	14,900	14,900
Dairy Grading:			
Butter graded (million pounds)	1,106	940	940
Cheese graded (million pounds)	1,501	1,195	1,195
Dry milk graded (million pounds)	1,918	1,876	1,876
Other products graded (million pounds)	205	197	197
Plant inspections	1,729	1,460	1,460
Tobacco Grading:			
Flue-cured (million pounds)	773	800	800
Fire-cured (million pounds)	37	30	30
Dark air-cured (million pounds)	13	10	10
Burley (million pounds)	598	600	620
Tobacco Reinspection (million pounds)	381	300	300
Imported Tobacco Inspection (million pounds)	187	187	187
Total, Tobacco Inspection and Grading	1,989	1,927	1,947

c. Inspection. This activity involves continuous mandatory inspection of egg processing plants producing liquid, frozen, or dried egg products so that consumers get wholesome, unadulterated and truthfully labeled egg products. In cooperation with State Departments of Agriculture, shell egg grading operations are inspected at least four times yearly to control the disposition of certain types of undergrade and restricted eggs.

Egg Products Inspection Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
Egg products inspected (million pounds)	1,358	1,390	1,410
Egg products accepted (million pounds)	3	2	2
Egg products plants	99	99	99
Egg handler surveillance visits	12,311	11,800	11,600
States and Commonwealths with cooperative agreements	52	52	52
Laboratory samples analyzed:			
Food chemistry and microbiology	37,000	37,000	37,000
Chemical residues	575	575	575

Legislation is being proposed for FY 1988 to provide the Secretary of Agriculture the authority to conduct less than continuous inspection of egg processing operations and reduce the required frequency of visits to shell egg handlers. Additionally, the legislation would strengthen USDA authority to withdraw inspections or refuse to provide inspection services. Legislation is also being proposed to permit collection of user fees to fully fund inspection and surveillance services.

3. Market Protection and Promotion:

In the administration of market protection and promotion activities the Agricultural Marketing Service operates under the following authorities:

Agricultural Marketing Act of 1946
Capper Volstead Act
Cotton Research and Promotion Act
Egg Research and Consumer Information Act
Export Apple and Pear Act
Export Grape and Plum Act
Federal Seed Act
National Wool Act of 1954
Plant Variety Protection Act
Potato Research and Promotion Act
Dairy and Tobacco Adjustment Act of 1983
Honey Research, Promotion and Consumer Information Act
Beef Promotion and Research Act of 1985
Pork Promotion, Research, and Consumer Information Act of 1985
Watermelon Research and Promotion Act

a. Federal Seed Act. This Act prohibits mislabeled agricultural and vegetable seed from moving in interstate commerce. This program is conducted under cooperative agreements with each State. About 500 State seed inspectors are authorized to inspect seed subject to the Act. Apparent violations investigated are initiated by cooperating State agencies. The State agencies submit samples of seed to AMS for testing in order to verify that there has been an infraction of the Act. Based on the results of the tests, AMS attempts to resolve each case administratively. If a case cannot be resolved administratively, AMS will initiate appropriate legal action. Intrastate infractions of the Act are handled by the States.

Federal Seed Act Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
Seed Testing:			
Seed samples tested in connection with:			
Interstate shipments	1,137	1,100	1,100
Check tests	533	500	500
Variety testing	1,704	1,700	1,700
Total number of samples tested	3,374	3,300	3,300
Interstate Enforcement:			
Cases for Investigation:			
Total to be investigated	1,120	1,100	1,100
Investigations completed	742	800	800
Pending at end of year	378	300	300
Administrative Actions:			
No action warranted	151	150	150
Warnings issued	416	400	400
Citations issued	175	180	180
Prosecutions recommended	4	10	10
Administrative Settlements:			
Settlements terminated	112	130	130
Settlements pending	30	30	30
Court Actions:			
Prosecutions initiated	1	5	5
Prosecutions pending at end of year	0	0	0

b. Plant Variety Protection Act. This program offers legal protection to developers of novel varieties of plants which reproduce by seed through the issuance of a certificate of plant variety protection that expires after 18 years. Fees are charged to those applying for certificates of protection and are deposited in the general fund of the Treasury and offset the appropriated cost of this program.

Plant Variety Protection Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
Backlog of applications, beginning of year	332	269	244
New applications received	164	185	199
Certificates issued	208	200	200
Applications abandoned	19	10	10
Pending applications, end of year	269	244	224
Number of years to process backlog applications	1.3	1.2	1.2

c. The Research and Promotion Acts. The various Research and Promotion Acts provide for the collection of an assessment to producers to carry out research and promotion activities for beef, cotton, dairy products, eggs and egg products, honey, pork, wheat, and potatoes. It is the responsibility of AMS to review and approve the budgets and the projects proposed by the research and promotion boards.

Research and Promotion Programs
Dollars in Millions

Programs	FY 1986 Actual Assessments Collected	FY 1986 Actual Funds Expended	FY 1987 Estimate Assessments Collected	FY 1987 Estimate Funds Expended	FY 1988 Estimate Assessments Collected	FY 1988 Estimate Funds Expended
Beef	--	--	$33.0	$27.0	$36.0	$30.0
Cotton	$29.7	$18.5	25.9	18.3	27.5	$18.0
Dairy-MMO	14.3	12.9	13.8	12.5	14.2	12.8
Dairy-National	81.7	82.4 1/	77.3	79.7 1/	79.0	82.0 1/
Egg	7.6	5.5	7.6	5.5	7.6	5.5
Honey	--	--	2.0	1.6	2.0	1.6
Pork	--	--	16.0	13.0	20.0	16.0
Potato	5.6	4.5	5.6	4.8	5.8	5.0
Wheat	1.5	1.0	.4	.2	--	--
Total	140.4	124.8	181.6	162.6	192.1	170.9

1/ Includes carryover funds.

The Honey Research, Promotion and Consumer Information Act was enacted on October 30, 1984. After an industry referendum, the Secretary issued a Honey Research and Promotion Order in July 1986. Assessments will be collected from domestic producers which began on January 1, 1987, and from importers on February 1, 1987.

The Beef Promotion and Research Act; the Pork Promotion, Research, and Consumer Information Act of 1985; and the Watermelon Research and Promotion Act were passed in December 1985 as amendments to the 1985 Food Security Act. The purpose of these Acts is to strengthen the position of beef, pork, and watermelons in the marketplace and to expand foreign markets.

Administered by the Wheat Industry Council since 1981, the Wheat and Wheat Foods Research and Nutrition Education program was terminated on November 1, 1986 after an overwhelming vote by industry to discontinue the program.

Legislation is being proposed for FY 1988 to provide for the collection of user fees to fully fund activities under the Export Fruit Acts, Federal Seed Act, and the market development and assistance program. Legislation is also proposed in FY 1988 to allow AMS to retain the funds collected under the Plant Variety Protection Act to offset the costs of this program.

4. Wholesale Market Development:

Activities in this program are carried out under the authority of the Agricultural Marketing Act of 1946.

The wholesale market development program conducts research and technical assistance aimed at improving market efficiency with emphasis on the most effective types of facilities needed to market farm products and distribute food within urban areas. Projects are conducted in cooperation with growers, trade groups, individual food companies, and State and local governments.

Wholesale market activities underway in FY 1987 involve planning for new markets as well as planning for renovating and expanding existing centers. Included in these plans are markets in: Buffalo and Syracuse, New York; Cleveland, Ohio; and the Maryland Wholesale Food Center in Jessup serving the Washington - Baltimore area. Other major program elements include an assessment of market opportunities and facility needs for fresh produce in northeastern Mississippi and providing technical assistance for market development in North Carolina, Virginia, and Massachusetts.

Other activities supporting wholesale marketing and marketing systems are also underway including: development of improved data bases, analytical techniques, and data processing capabilities for use in wholesale market studies and identification of alternative marketing opportunities for farmers; research to develop improved work stations for USDA inspectors in meat and poultry slaughter plants; plans for energy efficient processing operations; computer applications for fresh fruit and vegetable wholesalers; determination of causes of loss and damage to products in warehouses; modularization recommendations for case sizes for fruits, vegetables, and frozen foods; Universal Product Code development for variable weight produce; exporting dry edible beans to Europe; and the feasibility of alternative methods of disinfesting grapefruit.

Wholesale Market Development Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
Wholesale market facilities studies completed	3	3	2
Research projects completed	5	7	6

Legislation is being proposed to permit the collection of user fees to fund wholesale market development activities in FY 1988.

OIG Reports:

#01-041-45-AT	Milk Market Order No. 6, Upper Florida Milk Market Order No. 12, Tampa Bay Milk Market Order No. 13, Southeastern Florida
#01-041-45-CH	Milk Market Order No. 30, Chicago Regional Milk Market Order No. 49, Indiana Dairy Collection Program
#01-041-46-AT	Milk Market Order No. 11, Tennessee Valley Milk Market Order No. 46, Louisville-Lexington Milk Market Order No. 98, Nashville
#01-041-59-KC	Milk Market Order No. 64, Greater Kansas City Milk Market Order No. 65, Nebraska, Western Iowa Milk Market Order No. 75, Black Hills Milk Market Order No. 76, Eastern South Dakota Milk Market Order No. 79, Iowa
#01-041-60-KC	Milk Market Order No. 131, Central Arizona Milk Market Order No. 134, Western Colorado Milk Market Order No. 136, Great Basin Milk Market Order No. 137, Eastern Colorado Milk Market Order No. 139, Lake Meed
#01-041-61-KC	Milk Market Order No. 32, Southern Illinois Milk Market Order No. 50, Central Illinois Milk Market Order No. 62, St. Louis-Ozarks Milk Market Order No. 99, Paducah
#01-081-02-HY	Referendum on Cherries
#50099-37-HY	Requirements of the Anti-Tampering Act

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $781,000 for market news ($14,607,000 available in FY 1987) consisting of:

(a) An increase of $335,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $670,000 to fund increased costs associated with the Federal Employee Retirement System.

(b) A decrease of $224,000 to reduce market news activities.

Need for Change. Reductions are proposed in some USDA programs for fiscal policy reasons in order to reduce mounting Federal deficits which continue to threaten economic recovery.

Nature of Change. To the extent possible, administrative reductions will be implemented to achieve this reduction. Absorption of this amount can be accomplished without significantly impairing program delivery.

(2) A net increase of $681,000 for inspection and standardization ($13,302,000 available in FY 1987) consisting of:

(a) An increase of $325,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $574,000 to fund increased costs associated with the Federal Employee Retirement System.

(b) A decrease of $218,000 to reduce inspection and standardization activities.

Need for Change. Reductions are proposed in some USDA programs for fiscal policy reasons in order to reduce mounting Federal deficits which continue to threaten economic recovery.

Nature of Change. To the extent possible, administrative reductions will be implemented to achieve this reduction. Absorption of this amount can be accomplished without significantly impairing program delivery or jeopardizing the food supply.

(3) A net increase of $129,000 for market protection and promotion ($1,963,000 available in FY 1987) consisting of an increase of $40,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $89,000 to fund increased costs associated with the Federal Employee Retirement System.

(4) A net increase of $90,000 for wholesale market development ($1,528,000 available in FY 1987) consisting of an increase of $13,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $77,000 to fund increased costs associated with the Federal Employee Retirement System.

Agricultural Marketing Service
Proposed for Later Transmittal, Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1988		
	Current Law	Program Changes	President's Request
Market News Service	$15,388,000	-$15,388,000	--
Inspection, Grading and Standardization	13,983,000	-13,983,000	--
Market Protection and Promotion.....	2,092,000	-2,092,000	--
Wholesale Market Development.....	1,618,000	-1,618,000	--
Total Available.....	33,081,000	-33,081,000	--

Explanation of Proposed Legislation:

The Agricultural Marketing Service provides market news information to the agricultural community. Subscription fees are currently charged to cover the cost of postage, printing and handling for all printed commodity reports except for cotton and tobacco reports. This proposal would allow user fees to be charged to recover the entire cost of this program for all commodities.

The Egg Products Inspection Act requires that all plants manufacturing liquid, frozen or dried egg products be continuously inspected by a Federal inspector or a federally-licensed State employee. Proposed legislation to amend this Act would (1) eliminate the requirement for continuous in-plant inspection for egg processing operations, except for egg breaking operations, and reduce required shell egg surveillance visits from four times a year to once annually and (2) authorize the Secretary to withdraw inspection services for noncompliance.

An additional amendment to the Egg Products Inspection Act is being proposed to implement user fees to recover the costs of inspection and surveillance services.

AMS develops, reviews, and maintains agricultural commodity standards that describe product quality attributes for use in the voluntary grading programs. This proposal would shift the funding source from appropriations to user fees. The cost for commodity standards would be charged to users of the grading programs as a part of the grading fees.

The Plant Variety Protection Act encourages the development of novel varieties of sexually-reproduced plants by providing patent-like protection to developers. The fee charged to developers covers the cost of filing, searching, issuing and maintaining plant variety protection certificates. All revenue collected is deposited into the general revenue fund of the Treasury. Proposed legislation to amend this Act would allow the funds collected for this program to be retained for use by AMS.

AMS administers the Export Apple and Pear Act of 1933 and the Export Grape and Plum Act of 1960 which were enacted to promote export trade of U.S.-grown fruit. These laws provide for penalties in cases of deception or misrepresentation of the quality of such products, and provide for the inspection of such fruit. Proposed legislation would amend these Acts to allow full user fees to be charged for inspection services.

The wholesale market development program conducts research and provides technical assistance to improve marketing efficiency and decrease marketing costs. Proposed legislation would allow user fees to be charged to recipients requesting assistance in planning improved wholesale food facilities and in developing new technologies aimed at finding ways to improve food distribution.

Market development and assistance is provided through economic and statistical analysis of commodity markets for use in the marketing order programs. The budget includes a proposal to recover costs of this program through user fees.

AMS regulates interstate shipments of agricultural and vegetable seeds with regard to labeling. This is accomplished primarily through the use of State personnel who refer apparent violations of the Federal Seed Act's interstate provisions to AMS for verification and appropriate action. Proposed legislation would allow AMS to recover the Federal regulatory costs through user fees.

Agricultural Marketing Service
Marketing Services
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	$226,014	6	$239,000	6	$251,000	6
Alaska	6,010	--	6,000	--	7,000	--
Arizona	207,955	7	217,000	7	228,000	7
Arkansas	389,535	10	414,000	11	435,000	11
California	1,918,022	50	2,028,000	53	2,130,000	53
Colorado	214,067	7	223,000	7	235,000	7
District of Columbia.	13,964,160	211	14,503,000	217	15,313,000	217
Florida	179,330	6	189,000	6	199,000	6
Georgia	568,619	16	598,000	17	629,000	17
Hawaii	27,736	1	30,000	1	31,000	1
Idaho	43,211	2	45,000	2	47,000	2
Illinois	656,142	20	688,000	21	724,000	21
Indiana	298,305	8	316,000	8	332,000	8
Iowa	1,906,289	51	2,014,000	53	2,116,000	53
Kansas	131,437	5	137,000	5	144,000	5
Kentucky	81,570	3	85,000	3	90,000	3
Louisiana	110,805	3	116,000	3	122,000	3
Maine	53,269	1	56,000	1	59,000	1
Maryland	100,543	3	106,000	3	111,000	3
Massachusetts	134,385	5	140,000	5	147,000	5
Michigan	103,766	3	109,000	3	115,000	3
Minnesota	643,855	17	681,000	18	715,000	18
Mississippi	259,990	7	274,000	7	288,000	7
Missouri	813,042	24	859,000	25	905,000	25
Montana	46,884	2	49,000	2	51,000	2
Nebraska	279,180	9	292,000	9	308,000	9
New Jersey	588,221	16	621,000	18	652,000	18
New Mexico	6,345	--	7,000	--	7,000	--
New York	666,047	19	701,000	20	737,000	20
North Carolina	1,285,741	30	1,373,000	33	1,443,000	33
Ohio	270,567	7	286,000	7	301,000	7
Oklahoma	142,433	4	149,000	4	157,000	4
Oregon	184,801	5	195,000	5	205,000	5
Pennsylvania	458,839	13	481,000	14	507,000	14
Puerto Rico	33,999	1	36,000	1	38,000	1
South Carolina	111,463	3	118,000	3	124,000	3
South Dakota	103,159	4	107,000	4	113,000	4
Tennessee	1,231,396	37	1,306,000	38	1,376,000	38
Texas	643,788	19	674,000	20	710,000	20
Utah	47,874	1	51,000	1	54,000	1
Virginia	26,212	1	28,000	1	29,000	1
Virgin Islands	1,405	--	1,000	--	2,000	--
Washington	384,348	11	405,000	11	426,000	11
West Virginia	48,366	1	51,000	1	53,000	1
Wisconsin	298,566	8	317,000	8	332,000	8
Wyoming	75,991	3	79,000	3	83,000	3
Total, Available or Estimate	$29,973,682	660	$31,400,000	685	$31,081,000	685

AGRICULTURAL MARKETING SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Payments to States and Possessions:

[For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), $942,000.]

This change proposes deletion of the Payments to States program which has been in effect since 1948. During that period of time, those State Departments of Agriculture so inclined have been able to build a capability to respond to marketing service needs. The Administration no longer believes it is necessary to assist State Departments of Agriculture in conducting marketing service projects geared to developing ongoing State capabilities and services, or to address specific local marketing problems.

PAYMENTS TO STATES AND POSSESSIONS

Appropriation Act, 1987	$942,000
Budget Estimate, 1988	--
Decrease in Appropriation	-942,000

PROJECT STATEMENT

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Payments for marketing service work under Section 204(b) of the Agricultural Marketing Act of 1946	$942,000	$942,000	-$942,000 (1)	--
Total, appropriation	942,000	942,000	-942,000	--

EXPLANATION OF PROGRAM

The Federal-State Marketing Improvement Program is authorized by Section 204(b) of the Agricultural Marketing Act of 1946. This legislation also grants the U.S. Department of Agriculture authority to establish cooperative agreements with State Departments of Agriculture or similar State agencies. These agreements make possible joint efforts to improve the efficiency of the agricultural marketing chain. The States perform the work or contract it to others, and must contribute at least half of the cost of the projects.

Payments are made to State marketing agencies to: identify and market test alternative farm commodities; determine methods of providing more reliable market information, and develop better commodity grading standards. This program has covered many types of projects, such as electronic marketing and agricultural product diversification. The general themes of the current projects includes the adaptation of new technology to the marketing of farm products, and seeking new outlets for existing farm produced commodities.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $942,000 for elimination of the Payments to States and Possessions program ($942,000 available in 1987).

Need for Change. Federal funds have been provided to States to pay up to half the cost of pilot-testing cooperatively sponsored projects proposed by the States to solve local marketing problems. The program has been underway since 1948 and during that period of time those State Departments of Agriculture so inclined have been able to develop a capability to respond to their marketing service needs. The Administration believes it is no longer necessary to assist State Departments of Agriculture in conducting marketing service projects geared to developing ongoing State capabilities and services, or to address specific local marketing problems.

Nature of Change. Federal matching funds would no longer be provided to assist States in funding projects to deal with specific State or local marketing problems.

Agricultural Marketing Service
Payments to States and Possessions
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS
1986 and Estimated 1987 and 1988

	1986	1987	1988
Alabama	$25,000		
Colorado	25,500		
Idaho	40,000		
Indiana	30,000		
Iowa	127,500		
Kentucky	58,478		
Maine	150,000		
Massachusetts	60,000		
Nebraska	120,100		
New York	127,677		
North Dakota	40,000		
Oklahoma	65,000		
South Carolina	32,745		
Texas	40,000		
Total, Available or Estimate	$942,000	$942,000 a/	--

a/ Distribution of obligations by State not available until projects have been selected for funding in FY 1987.

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Appropriation Act, 1987 (from receipts)	$4,014,000
Budget Estimate, 1988 (from receipts)	4,240,000
Change in Appropriation	+226,000

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual Amount	1986 Actual Staff-Years	1987 Estimated Amount	1987 Estimated Staff-Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff-Years
Licensing dealers and handling complaints	$3,459,883	95	$4,014,000	99	+226,000	$4,240,000	99
Unobligated balance available start of period	-735,716	--	-563,405	--	--	-563,405	--
Unobligated balance available end of period	563,405	--	563,405	--	--	563,405	--
Total available or estimate	3,287,572	95	4,014,000	99	+226,000	4,240,000	99

OBLIGATION LEVELS
(On basis of available funds)

Item	1986 Actual	1987 Estimated	1988 Estimated
Appropriation (from receipts)	$3,287,572	$4,014,000	$4,240,000
Unobligated balance available, start of period	735,716	563,405	563,405
Total available	4,023,288	4,577,405	4,803,405
Total obligations	-3,459,883	-4,014,000	-4,240,000
Unobligated balance available, end of period	563,405	563,405	563,405

EXPLANATION OF PROGRAM

PERISHABLE AGRICULTURAL COMMODITIES ACT

This program is carried out under the following authorities:
Perishable Agricultural Commodities Act
Produce Agency Act

These Acts are designed to: (1) protect producers, shippers, distributors and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for others.

Commission merchants, dealers, brokers, and retailers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act. Agents are required to give a correct accounting to their principals. Buyers and sellers must fulfill the terms of contractual agreements, and buyers must pay promptly for their purchases.

Employment and licensing restrictions are placed on traders who have been found in a formal proceeding to have violated the prompt payment provision of this Act and when eligible to resume trading, they are required to post surety bonds before operating. False or misleading statements, misbranding, and similar violations are prohibited.

To increase protection and avert financial losses to growers and licensed firms, the Perishable Agricultural Commodity Act was amended to create a statutory trust on perishable agricultural commodities. Sellers of fruits and vegetables who have not been paid and who file proper notice are secured under this legislation until full payment is made. These sellers are also secured in the event the buyer files for bankruptcy or becomes insolvent. This legislation also improves the timeliness of payment.

Complaints of violations are investigated and violations dealt with by: (1) informal agreements between the two parties; (2) formal decisions involving payment of reparation awards; and/or (3) suspension or revocation of license and/or publication of the facts. Any interested party or group may request AMS assistance in settling disputes under the Perishable Agricultural Commodities Act.

License fees are deposited into a special fund and are used to meet the costs of administering these Acts. The annual PACA license fee is $216, plus $108 for every branch or business facility above nine, up to a maximum annual fee of $1,800.

Perishable Agricultural Commodities Act Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
Licensing Activities:			
Licenses renewed	13,503	13,450	13,450
New licenses issued	2,147	2,250	2,250
In effect, end of year	15,650	15,700	15,700
Actions Completed:			
License actions	16,560	16,600	16,650
Reparation actions	40,192	40,250	40,350
Disciplinary actions	232	250	275
Personal investigations	1,426	1,530	1,580
Total Actions Completed	58,410	58,630	58,855
Reparations: (Dollars in Thousands)			
Awarded - Formal orders	$7,871	$7,900	$8,000
Payments - Amicable settlements	$10,000	$10,100	$10,200
Total Reparations	$17,871	$18,000	$18,200
Statutory Trust			
Notices	32,000	37,000	40,000
Refunds to sellers (Dollars in Millions)	$146	$175	$200

Agricultural Marketing Service
Perishable Agricultural Commodities Act
Geographic Breakdown of Obligations and Staff-Years
1986 and Estimate 1987 and 1988

	1986		1987		1988	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
California.....	$274,323	8	$318,000	8	$336,000	8
District of Columbia...	2,381,822	64	2,763,000	67	2,919,000	67
Illinois.....	282,009	9	327,000	9	346,000	9
New York.....	267,833	7	311,000	8	328,000	8
Texas.....	253,896	7	295,000	7	311,000	7
Total, Available or Estimate.....	$3,459,883	95	$4,014,000	99	$4,240,000	99

The estimates include appropriation language for this item as follows:

Limitation on Administrative Expenses:

Not to exceed [$28,164,000] $30,742,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses.

Limitation on Administrative Expenses

Appropriation Act, 1987	$28,164,000	
1987 increase for pay costs and retirement costs	714,000	a/
Adjusted base for 1987	28,878,000	
Budget Estimate, 1988	30,742,000	
Increase in Limitation	+1,864,000	

a/ Includes an increase of $501,000 for pay increases and $213,000 for retirement costs.

An increase in the limitation on administrative expenses is needed to offset increased operating costs which includes annualization of pay costs and retirement costs for FY 1988.

AGRICULTURAL MARKETING SERVICE

PASSENGER MOTOR VEHICLES

The 1988 Budget Estimates propose the purchase of twenty-two replacement and five additional motor vehicles.

The estimated number of passenger motor vehicles available for 1988 are the minimum necessary to maintain essential services in AMS programs. These cars are used to provide the following necessary services: (1) traveling to places which are in most cases not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, cotton gins, and compress operators; (2) carrying special grading and testing equipment used for inspecting and grading commodities and for performing other work required under the Agricultural Marketing Act of 1946; U.S. Cotton Standards Act; Cotton Statistics and Estimates Act; Tobacco Inspection Act; and Dairy and Tobacco Adjustment Act; and (3) carrying boxes of cotton standards types used in classing work and demonstration at farmers' meetings.

Additional passenger motor vehicles. Five additional passenger motor vehicles are requested for use in performing increased imported tobacco inspection and grading services, as required by the 1985 Food Security Act. This Act placed additional responsibilities on the imported tobacco grading and certification program by requiring that imported tobacco be certified free of prohibited pesticides. The inspection of imported tobacco has increased the year-round employment of graders. In the past, graders were required to use privately owned vehicles to travel to the various states and warehouses during the six months that domestic tobacco grading is performed each year. With the greater workload required by the Food Security Act of 1985, AMS cars are needed by graders twelve months of the year. It is, therefore, more cost-effective for the government to provide cars to transport graders from their official duty stations to ports of entry than to pay expenses incurred for the use of a private car.

Replacement of passenger motor vehicles. Replacement of 22 of the 54 vehicles now in operation is proposed. All vehicles proposed to be replaced are expected to have mileage of over 60,000 or will be more than six years of age.

The age and mileage data for passenger motor vehicles on hand as of September 30, 1986 are as follows:

	Age Data			Mileage Data	
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percentage of Total
1981 or older	7	13	80-100	3	6
1982	6	11	60-80	5	9
1983	6	11	40-60	9	17
1984	25	46	20-40	27	50
1985	8	15	Under 20	10	18
1986	2	4	Total	54	100
Total	54	100			

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Funds For Strengthening Markets, Income and Supply (Section 32):

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) shall be used only for commodity program expenses as authorized therein, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than [$7,147,000] $7,704,000 for formulation and administration of Marketing Agreements and Orders pursuant to the Agricultural Marketing Agreement Act of 1937, as amended, and the Agricultural Act of 1961.

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)

Permanent Appropriation, 1987		$3,787,648,275
Less transfers to:		
Department of Commerce to promote and develop fishery products and research pertaining to American fisheries		-57,426,231
Food and Nutrition Service, Child Nutrition Programs		-3,295,937,000
Total transfers		-3,353,363,231
Adjusted Base for 1987		434,285,044
Budget Estimate, 1988:		
Annual permanent appropriation	$3,788,000,000	
Less transfers to:		
Department of Commerce	-57,400,000	
Food and Nutrition Service	-3,368,612,000	
Total transfers	-3,426,012,000	
Budget Estimate, 1988		361,988,000
Decrease from adjusted 1987		-72,297,044

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Costs and FERS	Program Changes	1988 Estimated
Commodity Purchases	$358,200,000	--	-$7,300,000	$350,900,000
Commodity Purchase Services	3,006,000	+$45,000	--	3,051,000
Marketing Agreements and Orders	7,343,000	+258,000	+103,000	7,704,000
Total Available	368,549,000	+303,000 a/	-7,197,000	361,655,000

a/ Includes an increase of $43,000 for pay increases effective in FY 1987 and $260,000 for increased costs associated with FERS.

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff Years	1987 Estimated Amount	1987 Estimated Staff Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff Years
1. Commodity Purchases:							
a. Child Nutrition Program Purchases	$344,349,828	--	$350,900,000	--	--	$350,900,000	--
b. Emergency Surplus Removal	44,122,304	--	7,300,000	--	-7,300,000	--	--
Subtotal	388,472,132	--	358,200,000	--	-7,300,000(1)	350,900,000	--
2. Administrative Funds							
a. Commodity Purchase Services	2,634,739	23	3,006,000	23	+45,000	3,051,000	23
b. Marketing Agreements & Orders	5,514,998	103	7,343,000	124	+361,000	7,704,000	124
Subtotal	8,149,737	126	10,349,000	147	+406,000(2)	10,755,000	147
Total obligations	396,621,869	126	368,549,000	147	-6,894,000	361,655,000	147
Unobligated balance available, start of year	-178,830,327	--	-158,931,405	--	-65,736,044	-224,667,449	--
Unobligated balance available, end of year	158,931,405	--	224,667,449	--	+333,000	225,000,449	--
Total Available or Estimate	376,722,947	126	434,285,044	147	-72,297,044	361,988,000	147

OBLIGATION LEVELS -CURRENT LAW
(On basis of available funds)

Item	1986 Actual	1987 Estimate	1988 Estimate	
Appropriation or estimate	$3,692,021,771	$3,787,648,275	$3,788,000,000	
Unobligated balance available, start of year	178,830,327	158,931,405	224,667,449	
Total available	3,870,852,098	3,946,579,680	4,012,667,449	
Less transfers to:				
Food and Nutrition Service, Child Nutrition Programs	-3,271,592,000	-3,295,937,000	-3,368,612,000	
Department of Commerce	-43,706,824	-57,426,231	-57,400,000	
Total transfers	-3,315,298,824	-3,353,363,231	-3,426,012,000	
Total available after transfers	555,553,274	593,216,449	586,655,449	
Less total obligations	-396,621,869	-368,549,000	-361,655,000	a/
Unobligated balance available, end of year	158,931,405	224,667,449	225,000,449	a/

a/ Under proposed legislation, total obligations in FY 1988 will decrease to $353,951,000 and the unobligated balance will increase to $232,704,449.

EXPLANATION OF PROGRAM

Under Section 32 of the Act of August 24, 1935, (7 U.S.C. 612c) an amount equal to 30 percent of customs receipts collected during each preceding calendar year and unused balances up to $300 million are available for encouraging the domestic consumption and exportation of agricultural commodities. An amount equal up to 30 percent of receipts collected on fishery products is transferred to the Department of Commerce. Additional transfers to the Child Nutrition Programs of the Food and Nutrition Service have been provided in recent Appropriation Acts.

The Section 32 program administered by the Agricultural Marketing Service consists of commodity purchases for the removal of surplus agricultural products and in conjunction with the Food and Nutrition Service, the subsequent donation of these products to domestic feeding programs; the administration of commodity contracting in the commodity purchase services activity; and the administration of marketing agreements and orders.

Commodity Purchases:

The Agricultural Marketing Service directs the purchase of particular commodities in order to stabilize market conditions and provide commodities for distribution through the Food and Nutrition Service to schools as part of the entitlement for the National School Lunch Program. AMS may also purchase surplus commodities from contingency funds which are donated to either schools or public or non-profit private institutions that run non-profit meal programs.

Public Law 98-8, enacted March 3, 1983, broadened the Department's ability to purchase surplus fish products. This bill permanently removed the $1.5 million annual limit on fish purchases. During FY 1986, Section 32 funds were used to purchase $4.6 million of canned salmon and $7.5 million of canned tuna.

Surplus commodities in the following commodity groups were removed from market channels in FY 1986:

	FY 1986 Actual	
	Pounds Purchased	Obligations
	(in thousands)	
Fruits	157,351	$63,197
Vegetables	276,156	71,750
Meat	173,307	178,333
Poultry	90,490	75,192
Total	697,304	388,472

Commodity Purchase Services:

The commodity purchase services activity provides support to the commodity contracting offices for meats, fruits and vegetables, and poultry. In addition to contracting for Section 32 commodities, AMS purchases commodities for the domestic feeding programs of the Food and Nutrition Service (FNS). AMS is reimbursed by FNS for the costs associated with purchases made for FNS domestic feeding programs.

Commodity Purchase Services Workload Data:

	FY 1986 Actual	FY 1987 Estimate	FY 1988 Estimate
Contract bids received:			
Fruits and Vegetables	826	835	845
Meat	1,445 1/	1,050 1/	650
Poultry	442	450	475
Total	2,713	2,335	1,970
Contracts awarded:			
Fruits and Vegetables	404	412	428
Meats	762 1/	580 1/	385
Poultry	322	340	345
Total	1,488	1,332	1,158

1/ The Food Security Act of 1985 mandated that 400 million pounds of meat be purchased in an 18-month period to support the dairy herd buyout program. The FY 1986 and FY 1987 meat workload data reflect these contracts.

Marketing Agreements and Orders:

The marketing agreements and orders program is authorized by the Agricultural Marketing Agreement Act of 1937. Section 32 funds authorized under 7 U.S.C. 1392b are used by the Department for administering marketing agreement and order programs at the national level and for public hearings and referenda to determine producer sentiment concerning new programs and proposed revisions of marketing orders already in effect. Administration at the local level is financed by assessments upon handlers.

Marketing orders are designed to stabilize market conditions and to improve the returns for fluid milk and fruit and vegetable producers. Stabilized market conditions are accomplished by: (1) establishing minimum prices which handlers pay to dairy producers; and (2) regulating the quality and quantity of fruits and vegetables sold in commercial channels.

The orders are requested by producers and handlers. Hearings and investigations on proposed marketing orders are conducted by AMS. Proposed orders are subject to approval by producers of the regulated commodity.

Legislation will be proposed that would allow fees to be charged to recover the Federal cost of providing marketing agreement and order oversight services.

Marketing Agreements and Orders Workload Data:

	Fluid Milk Orders			Fruit, Vegetable and Specialty Crop Orders			Poultry Orders		
	1986 Actual	1987 Est.	1988 Est.	1986 Actual	1987 Est.	1988 Est.	1986 Actual	1987 Est.	1988 Est.
Agreement and order programs in effect.....	44	42	42	48	46	47	--	--	--
Requests received for new programs.....	1	--	--	1	3	3	1	--	--
Hearings and Petitions:									
Hearings held to consider amendments to existing orders or the issuance of orders in new areas	7	8	8	3	13	10	1	--	--
Amendments issued	11	9	9	2	3	4	--	--	--
Suspensions issued	27	15	18	4	1	1	--	--	--
Petitions received for review of orders	14	12	12	--	--	--	--	--	--
Petitions disposed of during the year	12	12	12	--	--	--	--	--	--
Administrator's decisions issued	5	7	7	2	7	8	--	1	--
Secretary's decisions issued	9	8	8	3	9	11	--	1	--
Secretary's referendum orders issued	5	3	2	4	14	9	--	1	--
Termination orders issued ..	8	5	5	3	3	3	--	--	--
Order Operation and Enforcement:									
Regulatory orders issued ...	n/a	n/a	n/a	23	28	36	--	--	--
Investigation of alleged violations	54	60	65	69	85	100	--	--	--
Cases referred to the Department of Justice for prosecution	20	25	25	16	19	25	--	--	--
Court cases resolved	22	25	25	6	9	13	--	--	--
Order Management:									
Appointment of an administrative committee	n/a	n/a	n/a	46	48	50	--	--	--
Promulgation of committee rulemaking	n/a	n/a	n/a	72	86	75	--	--	--
Budgets approved	44	42	42	48	48	50	--	--	--

Section 32 Commodity Purchases
FY 1985 and 1986
(In thousands)

Item	1985 Actual		1986 Actual	
	Pounds	Obligations	Pounds	Obligations
Almonds	2,250	$1,825	--	--
Apples, Fresh	42	9	5,901	$1,331
Applesauce	36,768	9,270	26,201	6,625
Beans, Dry	31,377	6,309	22,974	5,420
Beans, Green, Canned	18,612	4,519	19,854	3,871
Beans, Green, Frozen	333	102	1,032	300
Beans, Vegetarian	43,306	9,064	20,836	4,068
Beef, Bulk, Frozen, Ground	80,922	79,316	83,407	77,933
Beef, Canned	4,475	6,055	18,427	22,488
Beef Patties	31,060	30,973	23,855	21,954
Beef, Roast	4,522	5,991	14,250	19,684
Blueberries, Canned	1,115	762	--	--
Blueberries, Frozen	4,336	3,171	6,781	3,917
Cherries, Red, Frozen	12,279	5,816	11,684	5,805
Chicken, Frozen, Cut-Up	69,355	42,244	61,131	38,106
Chicken, Frozen, Whole	5,400	2,921	5,184	2,838
Chicken, Nuggets	--	--	3,653	5,022
Chicken, Patties, Frozen	10,764	13,975	10	13
Chicken, Thighs/Drumsticks	3,338	1,842	1,691	951
Corn, Canned	51,494	13,569	18,037	4,046
Corn, Frozen	4,917	1,621	1,774	572
Egg Mix	9,238	14,208	-120	-194
Fig Nuggets	6,534	5,000	--	--
Figs, Dried	--	--	2,201	2,480
Grape Juice, Canned	8,106	1,928	--	--
Lentils	--	--	80	34
Luncheon Meat	--	--	3,035	4,374
Peaches, Canned	20,627	8,492	27,173	10,465
Pears, Canned	9,413	4,047	40,134	14,308
Pears, Fresh	5,015	1,188	3,601	994
Peas, Canned	12,372	2,954	12,299	2,542
Peas, Frozen	1,312	377	2,785	714
Pineapple, Canned	--	--	18,715	7,865
Plums, Canned	--	--	3,830	1,000
Pork, Canned	25,498	28,438	-64	-58
Pork, Frozen, Ground	--	--	21,335	19,854
Potato Flakes, Dehydrated	--	--	8,160	3,336
Potato Granules, Dehydrated	--	--	6,156	2,364
Potatoes, French Fries	19,619	7,357	49,818	13,210
Potatoes, Fresh	--	--	16,640	1,830
Potatoes, Frozen Rounds	52,436	16,702	25,352	7,342
Potatoes, Sweet, Mashed	1,250	307	721	181
Potatoes, Sweet, Syrup Pack	8,672	2,710	15,836	5,221
Prunes, Dried	6,429	4,018	3,758	2,013
Raisins	9,061	4,457	4,971	2,443
Salmon, Canned	1,895	2,817	2,950	4,613
Tomato Paste	33,174	13,857	18,501	7,174
Tomatoes, Canned	18,631	4,932	18,964	4,613
Tuna, Canned	5,187	6,602	6,112	7,490
Turkey, Chilled	1,440	1,163	1,728	1,264
Turkey, Roast	8,882	14,516	17,213	27,192
Turkey, Whole	298	243	--	--
Vegetables, Mixed	18,333	6,538	16,338	4,912
Walnuts, English	1,486	2,408	2,400	3,952
Total	701,573	394,613	697,304	388,472

Summary of Purchases by Commodity Group
(In thousands)

Commodity Group	1985 Actual		1986 Actual	
	Pounds	Obligations	Pounds	Obligations
Poultry	108,713	$91,113	90,490	$75,192
Meat	153,560	160,191	173,307	178,333
Fruit	123,461	52,391	157,351	63,197
Vegetables	315,839	90,918	276,156	71,750
Total	701,573	394,613	697,304	388,472

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $7,300,000 for commodity purchases ($358,200,000 available in FY 1987).

A decrease of $7,300,000 in emergency surplus removal purchases. ($7.3 million had been used as of the date the Explanatory Notes were prepared and future needs cannot be estimated.) The budget customarily does not anticipate this need in the budget year.

Need for Change. Emergency surplus removal programs are conducted only when the need arises. A surplus removal program can be initiated when the actual need is determined during FY 1988.

Nature of Change. An emergency surplus program is not reflected in the budget in advance of actual need for the budget year.

(2) An increase of $406,000 for administrative expenses ($10,349,000 available in FY 1987) consisting of:

(a) An increase of $103,000 to offset increased operating costs for the marketing agreements and orders program in FY 1988.

(b) An increase of $43,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $260,000 to fund increased costs associated with the Federal Employee Retirement System.

Funds for Strengthening Markets, Income, and Supply
(Section 32)

Proposed for Later Transmittal, Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1988 Current Law	1988 Program Change	1988 President's Request
Administration of the Marketing Agreements and Orders Program.....	$7,704,000	-$7,704,000	--

Explanation of Proposed Legislation

Federal costs of administering marketing agreements and orders, which help stabilize market prices and supply for certain commodities, are presently funded through the Section 32 appropriation. Costs of administering marketing agreements and orders at the local level are funded through assessments on regulated handlers. The proposed legislation would allow AMS to recover Federal administrative costs through an assessment on these handlers.

Agricultural Marketing Service
Section 32 Administrative Funds
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988

	1986		1987		1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
California	$339,259	6	$452,000	8	$474,000	8
District of Columbia..	7,414,551	112	9,370,000	130	9,728,000	130
Florida.....	112,227	2	149,000	2	157,000	2
Illinois.....	46,494	1	62,000	1	65,000	1
Oregon.....	163,019	3	217,000	4	228,000	4
Texas.....	74,187	2	99,000	2	103,000	2
Total, Available or Estimate.....	8,149,737	126	10,349,000	147	10,755,000	147

Agricultural Marketing Service
Commodity Purchases
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 AND ESTIMATED 1987 AND 1988

	1986		1987		1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$10,080,763	--		--		--
Arkansas	8,331,422					
California	53,819,947					
Colorado	1,364,687					
Delaware	326,658					
District of Columbia	1,204					
Florida	741,508					
Georgia	17,606,404					
Hawaii	946,314					
Idaho	3,874,718					
Illinois	31,355,959					
Indiana	2,433,689					
Iowa	2,402,436					
Kansas	91,512					
Kentucky	3,092					
Louisiana	2,417,443					
Maine	3,754,812					
Maryland	204,030					
Massachusetts	4,215,902					
Michigan	16,145,057					
Minnesota	29,428,528					
Mississippi	9,607,910					
Missouri	24,524,370					
Montana	2,331					
Nebraska	29,261,007					
New Jersey	4,196,913					
New York	6,297,378					
North Carolina	2,163,382					
Ohio	1,597,052					
Oklahoma	1,701					
Oregon	1,694,014					
Pennsylvania	33,715,939					
Rhode Island	164,421					
South Carolina	22,092					
South Dakota	2,300,342					
Tennessee	51,830					
Texas	23,907,519					
Utah	1,381,457					
Virginia	4,363,983					
Washington	9,813,346					
West Virginia	1,039,843					
Wisconsin	42,818,871					
Virgin Islands	346					
Undistributed	--	--	$358,200,000 1/	--	$350,900,000 1/	--
Total, Available or Estimate	388,472,132	--	358,200,000	--	350,900,000	--

1/ Since contracts for commodity purchases are awarded to the lowest bidder, distribution by State cannot be determined at this time.

OFFICE OF TRANSPORTATION

Purpose Statement

The Office of Transportation (OT) was established by Secretary's Memorandum 1966 on December 12, 1978. The Office was formed by consolidating several Departmental transportation functions to solve problems of U.S. and world agricultural transportation systems. Programs are carried out under the following legislation:

1. Agricultural Adjustment Act of 1938.
2. Agricultural Marketing Act of 1946.
3. Agricultural Trade and Assistance Act of 1954.
4. Rural Development Act of 1972.
5. International Carriage of Perishable Foodstuff Act of 1982.
6. Cooperative Marketing Act of 1926.

OT is delegated the authority given the Secretary of Agriculture to represent the interests of Agriculture and rural communities in the U.S. to assure the availability of an adequate and economical transportation system, domestically and internationally. The Office of Transportation is the agency in U.S.D.A. specifically organized to coordinate broad phases of the Department's transportation policies and programs.

The mission of OT is to develop and promote an efficient agricultural transportation system to help improve farm income, expand exports and meet the needs of rural America. The Agency provides technical and administrative direction, coordination, and leadership in the development and execution of agricultural transportation policies and programs of USDA. OT provides a basis for Federal-State decision-makers in regulatory, policy and legislative matters in order to assure the transportation needs of rural communities and agriculture.

The current organization has two divisions-- domestic and international-that reflect our Nation's growing interest and emphasis on international trade, while providing continuous identification and timely analysis of domestic transportation impediments. Major program responsibilities are:

Domestic Transportation Services

OT determines the impact upon agriculture of proposed changes in transportation legislation, rates, or services and provides for the representation of agricultural interests in such matters before State and Federal agencies. Specifically, OT provides assistance to farmers and agricultural shippers by developing proposals, negotiating with carriers and participating in regulatory proceedings before the Interstate Commerce Commission to resolve high priority transportation issues.

Rural Transportation Economics and Development

OT addresses the overall transportation infrastructure needs of rural America in order to access national and world markets. The agricultural community is assisted through economic assessments of deteriorating rural roads and bridges, rail trackage abandonments, and other inland transportation constraints. The Office provides educational programs on domestic and international transportation events and fosters improved Federal, State and local partnerships for solving transportation access problems affecting rural communities.

International Policy and Trade Analysis

OT assists agricultural exporters develop foreign market opportunities through short term economic analyses of port logistics and transport system impediments. Recommendations are directed toward more cost-effective methods to move U.S. products to world markets. Technical assistance is also provided to agricultural exporters on freight rates, plus ocean and intermodal services to meet the transport access needs of American agriculture.

Export Services

OT conducts technological research and demonstration programs, often in cooperation with private industry, to improve the international and domestic transportation systems for agricultural and food products. The Office administers the Agreement on the International Carriage of Perishable Foodstuffs which requires the establishment of a program of inspection, testing and certification of refrigerated equipment to meet health and safety requirements of some Nations for the transport of certain foodstuffs within Europe.

These functions of OT are carried out by a technical and administrative staff located in Washington, D.C. As of September 30, 1986, there were 38 full-time employees.

OFFICE OF TRANSPORTATION

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Office of Transportation	$2,346,000	41	$2,419,000	49	$1,372,000	25
Obligations under other USDA appropriations:						
Foreign Agricultural Service	10,904	--	80,000	--	--	--
Total, Office of Transp	2,356,904	41	2,499,000	49	1,372,000	25

Full-time Equivalent Staff-Years:	1986 Actual	1987 Estimate	1988 Estimate
Ceiling	41	49	25
Non-Ceiling	--	--	--
Total	41	49	25

OFFICE OF TRANSPORTATION

Permanent Positions by Grade and Staff-Years Summary

1986 and Estimated 1987 and 1988

Grade	1986 Headquarters/Total	1987 Headquarters/Total	1988 Headquarters/Total
ES-2	1	1	--
GS/GM-15	5	5	--
GS/GM-14	8	8	--
GS/GM-13	10	10	--
GS-12	5	5	--
GS-11	5	5	--
GS-9	2	2	--
GS-7	4	4	--
GS-6	5	5	--
GS-5	2	2	--
GS-4	2	2	--
Ungraded Positions	--	--	--
Total Permanent Positions	49	49	--
Staff Years:			
Ceiling	41	49	25
Non-Ceiling	--	--	--
TOTAL	41	49	25

OFFICE OF TRANSPORTATION

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

		1986	1987	1988
Personnel Compensation:				
11	Total personnel compensation	$1,662,422	$1,791,000	$876,000
12	Personnel benefits	169,212	219,000	91,000
13	Benefits for former personnel	--	--	202,000
	Total personnel compensation and benefits	$1,831,634	$2,010,000	$1,169,000
Other Objects:				
21	Travel	45,370	42,000	15,000
22	Transportation of things	980	--	--
23.2	Communications, utilities and miscellaneous charges	69,338	79,000	59,000
24	Printing and reproduction	11,127	11,000	
25	Other services	253,295	241,000	124,000
26	Supplies and materials	30,356	23,000	5,000
31	Equipment	17,443	13,000	--
	Total other objects	427,909	409,000	203,000
	Total direct obligations	2,259,543	2,419,000	1,372,000
Position Data:				
	Average Salary, ES positions	$ 66,264	$ 68,252	$ --
	Average Salary, GM/GS positions	$ 35,113	$ 36,166	$ --
	Average Grade, GM/GS positions	10.96	10.96	--

OFFICE OF TRANSPORTATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Office of Transportation

For necessary expenses to carry on services related to agricultural transportation programs as authorized by law; including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $20,000 for employment under 5 U.S.C. 3109, [$2,340,000] $1,372,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

OFFICE OF TRANSPORTATION

Appropriation Act, 1987	$2,340,000
Budget Estimate, 1988	1,372,000
Decrease in Appropriation	- 968,000

Adjustments in 1987:		
Appropriation Act, 1987	$2,340,000	
Transfer for pay costs and retirement costs	+ 79,000 a/	
Adjusted base for 1987		$2,419,000
Budget Estimate, 1988		1,372,000
Decrease from adjusted 1987		-1,047,000

a/ Includes an increase of $45,000 for pay increases and $34,000 for retirement costs.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Decrease	1988 Estimated
Office of Transportation.....	$2,419,000	+$60,000a/	-$1,107,000	$1,372,000

a/ Includes a decrease of $12,000 for pay increases effective in FY 1987 and $72,000 for increased retirement costs.

PROJECT STATEMENT
(On basis of appropriation)

PROJECT	1986 Actual		1987 Estimated			1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Decreases	Amount	Staff Years
Office of Transportation							
1. Research.....	$1,016,794	18	$1,089,000	22	- $472,000	$ 617,000	11
2. Technical Assistance.....	1,242,749	23	1,330,000	27	- 575,000	755,000	14
Unobligated balance.....	86,457	--	--	--			
					(1)		
Total Available.....	2,346,000	41	2,419,000	49	-1,047,000	1,372,000	25
Transfer for pay and FERS.....	--	--	- 79,000				
Total Appropriation.	2,346,000	41	2,340,000				

EXPLANATION OF PROGRAM

The programs of the Office of Transportation (OT) are carried out under the authority of the (1) Agricultural Marketing Act of 1946, (2) Agricultural Adjustment Act of 1938, (3) Agricultural Trade and Assistance Act of 1954, (4) Rural Development Act of 1972, and (5) International Carriage of Perishable Foodstuffs Act of 1982.

These activities are designed to assure that the transportation system will adequately serve the agricultural and rural areas of the United States and will provide the services necessary to assure the residents of these areas adequate facilities for the movement of agricultural commodities and people. The main areas of responsibility are providing technical assistance to shippers and carriers, technological research, development, and demonstrations in agricultural transport equipment, and participation in transportation regulatory actions before various Federal agencies. The Department is currently involved in the implementation of the International Carriage of Perishable Foodstuffs Act of 1982. In addition, OT provides economic analyses to enable the Department of Agriculture to develop policy recommendations for addressing current or anticipated problems in domestic and international agricultural transportation.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $1,047,000 for Office of Transportation activities consisting of:

(a) An increase of $60,000 to annualize 1987 pay costs and fund increased costs associated with the Federal Employees Retirement System.

(b) A decrease of $1,107,000 for Office of Transportation programs.

Need for Change. Reductions are proposed in some USDA programs for fiscal policy reasons in order to reduce persistent Federal deficits which continue to threaten economic recovery. These program reductions include the elimination of the Office of Transportation (OT) at the end of Fiscal Year 1988. Some present OT activities could be assumed by State and local governments. The possibility of transferring essential activities to other agencies within USDA will also be explored.

Nature of Change. OT operations will be discontinued by September 30, 1988. The FY 1988 budget would enable the office to complete high-priority existing studies and phase out Agency operations throughout FY 1988 so that Agency operations will cease at the end of the fiscal year.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1986 AND ESTIMATED 1987 AND 1988

	FY 1986		FY 1987		FY 1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	$2,181,912	40	$2,419,000	49	$1,372,000	25
Maryland.....	77,631	1	--	--	--	--
Total.....	$2,259,543	41	$2,419,000	49	$1,372,000	25

FEDERAL GRAIN INSPECTION SERVICE

Purpose Statement

The Federal Grain Inspection Service (FGIS) was established on November 20, 1976, pursuant to the U.S. Grain Standards Act (USGSA), as amended (Public Law 94-582). The USGSA was amended in 1977 to provide appropriated funding for field supervision. The USGSA was amended again under the Omnibus Budget Reconciliation Act of 1981 to require user fee funding to support supervision and administration of the inspection and weighing programs previously covered by appropriations. The 1981 legislation also established a FGIS Advisory Committee to provide the administrator advice on the efficient and economical implementation of the USGSA. The 1981 legislation was subsequently amended through September 30, 1988, to extend the authority of FGIS to collect user fees to cover administrative and supervisory costs related to official grain inspection and weighing. FGIS carries out grain inspection and weighing programs under the USGSA and other programs under the authority of the Agricultural Marketing Act of 1946 (AMA), as amended. The programs under the AMA include the inspection and grading of rice, dry beans, lentils, dry peas, processed grain products, hay, straw, hops, and related commodities as were assigned to the Agency by the Secretary of Agriculture under the authority of the Reorganization Plan Number 2 of 1953.

The mission of FGIS is to provide for the establishment of official United States standards for grain, to promote the uniform application thereof by official inspection personnel, to provide for an official inspection system for grain, and to regulate the weighing and the certification of the weight of grain shipped in interstate or foreign commerce, as authorized by the USGSA; and to carry out the delegated responsibilities under the AMA. Through these permissive and mandatory programs, FGIS aids in advancing the orderly and efficient marketing and effective distribution of U.S. grain and other assigned commodities from the Nation's farms to domestic and foreign buyers. The establishment of grain standards as a common language of commerce facilitates trading among buyers and sellers who may never see each other, but who use these standards to accurately describe the quality of the grain being traded. FGIS, acting as an impartial third party, assures that these standards are applied and the weights are recorded in a fair and accurate manner, thereby facilitating domestic and foreign grain trading.

The amended U.S. Grain Standards Act requires FGIS to provide: (1) mandatory inspection and weighing services at export ports by Federal or delegated State agency personnel; and (2) permissive inspection and weighing services at domestic locations by designated State and private agency personnel. Currently there are 8 delegated States and 80 designated State and private agencies. The USGSA also requires FGIS to supervise all official inspection and weighing activities performed by Federal, State or private personnel. Further, on a request basis, Federal personnel perform inspection of rice and related commodities under the AMA and provide nation-wide appeal inspection services.

The FGIS headquarters is located in Washington, D.C., with field activities located in 29 field offices, 2 Federal/State offices, and 8 suboffices in 25 States and Canada. As of September 30, 1986, FGIS employment totaled 694 full-time permanent employees and 128 part-time temporary and intermittent employees. Of the total, 108 full-time employees and 6 part-time and intermittent employees were located at headquarters while the remaining 586 full-time employees and 122 part-time and intermittent employees were assigned to field locations. The costs of nearly all field services and most headquarters activities are financed from fees charged for services performed. User fee activities accounted for 82 percent of total agency spending in FY 1986. Compliance and standardization activities, international monitoring and the FGIS Advisory Committee are financed from appropriations.

FEDERAL GRAIN INSPECTION SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses	$6,702,000	122	$6,878,000	156	$7,122,000	156
Inspection and Weighing Services	29,902,304	728	36,829,000	904	36,856,000	904
Total, Federal Grain Inspection Service	36,604,304	850	43,707,000	1,060	43,978,000	1,060

Full-Time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	779	940	940
Non-ceiling	71	120	120
Total	850	1,060	1,060

FEDERAL GRAIN INSPECTION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Executive Level V	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	5	--	5	5	--	5
GS/GM-14	16	--	16	17	--	17	17	--	17
GS/GM-13	25	12	37	24	12	36	24	12	36
GS-12	41	23	64	45	26	71	45	26	71
GS-11	7	103	110	7	102	109	7	102	109
GS-10	--	13	13	--	13	13	--	13	13
GS-9	5	256	261	4	252	256	4	252	256
GS-8	2	--	2	2	--	2	2	--	2
GS-7	14	1	15	13	1	14	13	1	14
GS-6	20	4	24	27	6	33	27	6	33
GS-5	7	100	107	7	103	110	7	103	110
GS-4	7	37	44	6	31	37	6	31	37
GS-3	1	2	3	1	3	4	1	3	4
GS-2	--	--	--	--	--	--	--	--	--
GS-1	--	--	--	1	--	1	1	--	1
Ungraded Positions	--	1	1	--	--	--	--	--	--
Total Permanent Positions	152	552	704	162	549	711	162	549	711
Staff-Years:									
Ceiling	157	622	779	162	778	940	162	778	940
Non-Ceiling	--	71	71	--	120	120	--	120	120
Total	157	693	850	162	898	1,060	162	898	1,060

FEDERAL GRAIN INSPECTION SERVICE

Salaries and Expenses - Appropriated Funds

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$2,610,625	$2,756,000	$2,738,000
Field	1,157,434	1,223,000	1,216,000
11 Total personnel compensation	3,768,059	3,979,000	3,954,000
12 Personnel benefits	494,008	573,000	767,000
13 Benefits for former personnel	22,001	68,000	22,000
Total Personnel Compensation Benefits	4,284,068	4,620,000	4,743,000
Other Objects:			
21 Travel	244,054	291,000	236,000
22 Transportation of things	32,007	20,000	31,000
23.2 Rental payments to others	19,005	21,000	18,000
23.3 Communications, utilities, and misc. charges	270,060	259,000	277,000
24 Printing and reproduction	34,008	84,000	23,000
25 Other services	1,115,247	1,213,000	1,418,000
26 Supplies and materials	147,033	135,000	134,000
31 Equipment	256,056	235,000	242,000
Total other objects	2,117,470	2,258,000	2,379,000
Total direct obligations	$6,401,538	$6,878,000	$7,122,000
Position Data:			
Average Salary, ES positions	$68,477	$70,012	$70,012
Average Salary, GM/GS positions	$30,650	$30,907	$30,907
Average Grade, GM/GS positions	11.6	11.6	11.6

FEDERAL GRAIN INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses to carry out the provisions of the United States Grain Standards Act, as amended, and the standardization activities related to grain under the Agricultural Marketing Act of 1946, as amended, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $20,000 for employment under 5 U.S.C. 3109, [$6,697,000] $7,122,000: Provided: That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but, unless otherwise provided, the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building: Provided further, That none of the funds provided by this Act may be used to pay the salaries of any person or persons who require, or who authorize payments from fee-supported funds to any person or persons who require, nonexport, non-terminal interior elevators to maintain records not involving official inspection or official weighing in the United States under Public Law 94-582 other than those necessary to fulfill the purposes of such Act.

FEDERAL GRAIN INSPECTION SERVICE

SALARIES AND EXPENSES - CURRENT LAW

Appropriations Act, 1987		$6,697,000
Budget Estimate, 1988		7,122,000
Increase in Appropriation		+425,000
Adjustments in 1987:		
Appropriations Act, 1987	$6,697,000	
Pay Costs and FERS	+181,000 a/	
Adjusted base for 1987		6,878,000
Budget estimate, 1988		7,122,000
Increase from adjusted 1987		+244,000

a/ Includes an increase of $105,000 for pay increases and $76,000 for FERS.

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	1988 Estimated
Standardization and Compliance Activities	$6,878,000	+$244,000 a/	$7,122,000

a/ Includes an increase of $39,000 for pay increases effective in FY 1987 and $205,000 for increased costs associated with FERS.

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1986 Actual		1987 Estimated			1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Change	Amount	Staff-Years
1. Standardization and Compliance Activities	$6,401,538	122	$6,878,000	156	+$244,000	$7,122,000	156
Total, obligations	6,401,538	122	6,878,000	156	+244,000	7,122,000	156
Unobligated balance	300,462	--	--	--	--	--	--
Total, available or estimate	6,702,000	122	6,878,000	156	+244,000	7,122,000	156
Transfer from other accounts for pay increase costs and FERS	--	--	-181,000	--			
Total, Appropriation	6,702,000	122	6,697,000	156			

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Federal Grain Inspection Service funds the standardization and compliance activities. The activities carried out are as follows:

1. Standardization Activities

FGIS standardization activities aid in the orderly marketing of grain, oilseeds, rice, and related commodities. This is accomplished through the development, promulgation and uniform application of new and revised U.S. Standards for grain, oilseeds, rice, dry beans, dry peas, lentils, hay, straw, hops and related processed products. Activities include establishment, review and revision of the U.S. Standards to reflect the latest inspection techniques and marketing needs. The agency also evaluates instruments and equipment used in the inspection and weighing process to ensure accuracy. In addition, the agency maintains an international monitoring program which interacts with foreign governments and trade teams to exchange information and to respond to complaints concerning quality and quantity of grain shipments.

Standardization Activities
Projected Level of Activity

	FY 1986	FY 1987	FY 1988
U.S. Standards in effect at end of year	20	20	20
New and revised standards issued during fiscal year	1	13	4
Standards reviews in progress	18	16	5
Standards reviews completed	0	15	4
Inspection techniques developed	8	8	9
Equipment evaluated	10	10	8

2. Compliance Activities

The compliance activities ensure the accurate and uniform application of the U.S. Grain Standards Act (USGSA) and the applicable provisions of the Agricultural Marketing Act of 1946 (AMA). Field activities are reviewed to assure that all procedures are implemented in a manner consistent with agency policy. Compliance activities include the delegation and designation of official agencies, the investigation of violations of the USGSA and AMA including occasional referral of criminal violations to the Office of Inspector General, and licensing of official agency personnel.

Compliance Activities
Projected Level of Activity

	FY 1986	FY 1987	FY 1988
Official Agency Actions:			
Agency delegations and designations in effect at end of fiscal year	80	80	80
Designations renewed	27	27	27
Designations cancelled	2	0	0
Designations not renewed	1	0	0
State delegations at export port locations in effect at end of fiscal year ...	8	8	8
Licensing of Grain Firms:			
Registration certificates issued	110	110	110
On-site investigations	8	12	12

3. Proposed Legislation

The administration has proposed user fee funding of the standardization and compliance activities that the Federal Grain Inspection (FGIS) provides to the grain marketing industry. Although the general public benefits by uniform standards

and the integrity ensured by compliance activities, the direct beneficiaries are the producers, merchandisers and others who participate in the marketing of U.S. grain, rice and related products. Therefore, it is appropriate that these costs be borne by the identifiable group that benefits from the Government-provided service. User fees will be levied and will be based on the costs of the service.

JUSTIFICATION OF INCREASE

(1) An increase of $244,000 in standardization and compliance activities ($6,878,000 available in 1987) consisting of:

(a) An increase of $39,000 to annualize FY 1987 pay costs and to restore pay costs absorbed in FY 1987 and an increase of $205,000 to fund increased costs associated with the Federal Employees Retirement System.

Obligations by State: The following is a distribution of obligations and staff-years for the Federal Grain Inspection Service appropriated funds.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1986 and Estimated 1987 and 1988

	FY 1986		FY 1987		FY 1988	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	$80,961	2	$87,000	3	$90,000	3
Arkansas	7,550	--	8,000	--	8,000	--
California	31,121	1	34,000	1	35,000	1
District of Columbia	2,475,574	37	2,661,000	47	2,753,000	47
Georgia	88	--	--	--	--	--
Idaho	41,164	1	44,000	1	46,000	1
Illinois	114,675	3	123,000	4	128,000	4
Indiana	84,058	2	90,000	3	94,000	3
Iowa	99,491	3	107,000	4	111,000	4
Kansas	201,955	6	217,000	8	225,000	8
Louisiana	21,962	1	24,000	1	24,000	1
Maryland	4,231	--	5,000	--	5,000	--
Michigan	44,000	1	47,000	1	49,000	1
Minnesota	152,903	4	164,000	5	170,000	5
Missouri	2,551,083	49	2,741,000	63	2,838,000	63
Nebraska	147,309	5	158,000	6	164,000	6
North Dakota	54,895	1	59,000	1	61,000	1
Ohio	19,022	--	20,000	--	22,000	--
Oregon	13,055	--	14,000	--	15,000	--
Pennsylvania	6,659	--	7,000	--	7,000	--
Tennessee	17,837	--	19,000	--	20,000	--
Texas	98,352	3	106,000	4	109,000	4
Virginia	78,608	2	84,000	3	87,000	3
Washington	54,985	1	59,000	1	61,000	1
Total, Available or Estimate	$6,401,538	122	$6,878,000	156	$7,122,000	156

FEDERAL GRAIN INSPECTION SERVICE
Proposed for Later Transmittal, Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1988 Current Law	1988 Program Changes	1988 President's Request
Salaries and Expenses	$7,122,000	-$7,122,000	---

Explanation of Proposed Legislation

This proposal will require user fee funding for standardization and compliance activities provided to the grain marketing industry by the Federal Grain Inspection Service. Although the general public benefits by uniform standards and the integrity ensured by compliance activities, the direct beneficiaries are the producers, merchandisers and others who participate in the marketing of U.S. grain, rice and related products. Therefore, it is appropriate that these costs be borne by the identifiable group that benefits from this Government service. User fees will be levied and will be based on the costs of the service provided.

FEDERAL GRAIN INSPECTION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Inspection and Weighing Services:

Limitation of Inspection and Weighing Service Expenses

Not to exceed [$36,829,000] $36,856,000 (from fees collected) shall be obligated during the current fiscal year for Inspection and Weighing Services.

INSPECTION AND WEIGHING SERVICES

Obligations, 1987	$36,829,000
Budget Estimate, 1988	36,856,000
Increase in Obligations	+27,000

SUMMARY OF INCREASES AND DECREASES

	1987 Estimated	Program Change	1988 Estimated
Inspection and Weighing Activities	$36,829,000	+$27,000	$36,856,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff-Years	1987 Estimated Amount	1987 Estimated Staff-Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff Years
Insp. & Weigh. Activities	$29,558,411	728	$36,829,000	904	+$27,000	$36,856,000	904
Actual oblig.	29,558,411	728	36,829,000	904	+27,000	36,856,000	904
Unrealized prior years oblig.	343,893	--	--	--	--	--	--
Total, oblig.	29,902,304	728	36,829,000	904	+27,000	36,856,000	904
Unobligated balance avail. start of period	-10,131,301	--	-8,714,233 a/	--	--	-8,714,233 a/	--
Unobligated balance avail. end of period	8,714,233 a/	--	8,714,233 a/	--	--	8,714,233 a/	--
Collections	28,485,236	728	36,829,000	904	+27,000	36,856,000	904
Unrealized prior year revenues	-978,400	--	--	--	--	--	--
Actual Collections	27,506,836	728	36,829,000	904	+27,000	36,856,000	904

a/ Total includes a $2 million balance from an FY 1984 supplemental of $6 million for revolving fund recapitalization.

EXPLANATION OF PROGRAM

The Federal Grain Inspection Service (FGIS) provides an official grain inspection and weighing system under the U.S. Grain Standards Act (USGSA), as amended, and official inspection of rice and grain related products under the Agricultural Marketing Act of 1946 (AMA), as amended. The USGSA was amended in 1981 to require the collection of user fees to fund the costs associated with the operation, supervision and administration of Federal grain inspection and weighing activities.

Fees collected under the USGSA and the AMA pay the expenses of the following programs:

1. Inspection Activities

Fee supported inspection activities under the USGSA include direct services as well as the supervision and administration function associated with the program. Direct services include mandatory official inspection of outbound grain by FGIS employees at certain export points and when requested the inspection of U.S. grain shipped through the interior and Canada. FGIS also provides an appeal service for original grain inspection. The FGIS supervision program provides oversight of its employees

as well as the monitoring of the inspection activities of 8 delegated States and 80 designated State and private agencies. In addition, FGIS provides inspection services for grain, rice and related products which are covered by the AMA. FGIS personnel provide the technical and administrative support for the program.

Projected Level of Activity

	FY 1986	FY 1987	FY 1988
Export Grain Inspected and Weighed (million metric tons)			
By Federal personnel	64.7	68.6	68.6
By delegated States	18.1	19.4	19.4
Quantity of Grain Inspected (All Official Inspections) Million Metric Tons	247.6	252.8	252.8
Number of Inspections and Reinspections			
By Federal Personnel	205,275	205,000	205,000
By Delegated State/Official Agency Licensees	2,817,161	2,817,000	2,817,000
Number of Appeals	11,353	11,400	11,400
Number of Appeals Carried to the Board of Appeals	1,841	1,800	1,800
Quantity of Rice Inspected (million metric tons)	4.1	4.1	4.1
Quantity of Rice Exports (million metric tons)	2.4	2.6	2.6

2. Weighing Activities

Fee supported weighing activities under the USGSA include the direct services as well as the supervision and administration functions associated with the program. FGIS provides mandatory weighing of outbound grain at certain export points. On request, FGIS may provide grain weighing services in the interior and on export shipments to Mexico. FGIS also offers supervision of weighing services by request on inbound grain at export points, a nationwide scale testing program and a separate scale testing program designed for railroad track scales. In addition to supervising its own employees, FGIS monitors the weighing activities of employees of eight delegated States and certain designated State and private agencies performing weighing activities. FGIS personnel provide the technical and administrative support for the program.

Projected Level of Activity

	FY 1986	FY 1987	FY 1988
Export Grain Weighed (million metric tons)			
by Federal Personnel	64.7	68.6	68.6
by Delegated State Personnel	18.1	19.4	19.4
Number of Official Scales in Service - Export Elevators	455	455	455
Number of Railroad Track Scales Tests (Includes American Association of Railroad Tests)	123	123	123

OIG Reports

#37099-2-HY, 3/17/86 - FGIS' Accounting System for User Fees.
#Unnumbered, 3/11/86 - (Draft) USDA's Handling and Use of Foreign Buyer Complaints.

GAO Reports

RCED-86-134, 4/16/86 - Grain Exports: Concerns About the Quality of U.S. Grain.

JUSTIFICATION OF INCREASE

(1) An increase of $27,000 for inspection and weighing activities ($36,829,000 available in 1987).

Need for Change. This increase restores consistency with the limitation on inspection and weighing expenses as previously approved in the fiscal year 1986 budget.

Nature of Change. This increase would restore the limitation on inspection and weighing expenses to the fiscal year 1986 budget level.

Obligations by State: The following is a distribution of obligations and staff-years for the fee supported inspection and weighing services.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	FY 1986		FY 1987		FY 1988	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	$544,325	12	$670,000	15	$670,000	15
Arkansas	1,082,671	36	1,333,000	45	1,333,000	45
California	74,833	1	92,000	1	92,000	1
District of Columbia	6,346,017	68	7,818,000	84	7,845,000	84
Florida	9,813	--	12,000	--	12,000	--
Georgia	169,789	6	209,000	7	209,000	7
Idaho	179,446	4	221,000	5	221,000	5
Illinois	1,030,625	27	1,269,000	34	1,269,000	34
Indiana	230,745	5	284,000	6	284,000	6
Iowa	195,760	4	241,000	5	241,000	5
Kansas	484,940	8	597,000	10	597,000	10
Louisiana	7,232,289	224	8,908,000	280	8,908,000	280
Maryland	1,528,302	39	1,882,000	48	1,882,000	48
Michigan	175,212	5	216,000	6	216,000	6
Minnesota	510,162	11	628,000	14	628,000	14
Mississippi	262,607	9	323,000	11	323,000	11
Missouri	835,728	17	1,029,000	21	1,029,000	21
Nebraska	400,841	6	494,000	7	494,000	7
North Dakota	262,841	5	324,000	6	324,000	6
Ohio	681,877	19	840,000	24	840,000	34
Oregon	2,434,110	83	2,998,000	103	2,998,000	103
Pennsylvania	628,291	15	774,000	19	774,000	19
Tennessee	79,131	2	97,000	2	97,000	2
Texas	3,834,537	107	4,723,000	133	4,723,000	133
Virginia	226,363	5	279,000	6	279,000	6
Washington	100,914	2	124,000	2	124,000	2
Total States	29,542,169	720	36,385,000	894	36,412,000	894
Canada	360,135	8	444,000	10	444,000	10
Total, Available or Estimate	$29,902,304	728	$36,829,000	904	$36,856,000	904

FEDERAL GRAIN INSPECTION SERVICE
Proposed for Later Transmittal, Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1988 Current Law	1988 Program Changes	1988 President's Request
Inspection and Weighing Services	$36,856,000	$7,122,000	$43,978,000

Explanation of Proposed Legislation

This proposal will require user fee funding for standardization and compliance activities provided to the grain marketing industry by the Federal Grain Inspection Service. Although the general public benefits by uniform standards and the integrity ensured by compliance activities, the direct beneficiaries are the producers, merchandisers and others who participate in the marketing of U.S. grain, rice and related products. Therefore, it is appropriate that these costs be borne by the identifiable group that benefits from this Government service. User fees will be levied and will be based on the costs of the service provided.

AGRICULTURAL COOPERATIVE SERVICE

Purpose Statement

The Agricultural Cooperative Service (ACS) is assigned functions under both the Cooperative Marketing Act of 1926 and under the Agricultural Marketing Act of 1946. Under the Cooperative Marketing Act, ACS is authorized to: (1) acquire analyze, and disseminate economic, statistical, and historical information regarding the progress, organization, and business methods of cooperative associations in the United States and foreign countries; (2) conduct studies of the economic, legal, financial, social, and other phases of cooperation, including analyses of cooperative associations; (3) make surveys and analyses of the accounts and business practices of representative cooperative associations; (4) confer and advise with committees or groups of producers who want to form a cooperative association and to make an economic analysis of the facts relevant to setting up such an association; (5) promote the knowledge of cooperative principles and practices and to cooperate in promoting such knowledge to others; and (6) make special studies to acquire and disseminate such information.

Under the Agricultural Marketing Act, ACS is authorized to carry out responsibilities which relate to the marketing aspects of cooperatives, including economic research and analysis and the application of economic research findings. In addition, ACS is authorized to work with institutions and international organizations on subjects relating to cooperatives.

ACS serves as the focal point of national activity involving agricultural cooperatives. The purpose of ACS is to help farmers help themselves by providing the assistance necessary to support and improve existing cooperatives and to help farmers organize new cooperatives.

The studies conducted by ACS, alone or in conjunction with other Federal or State institutions, are intended to provide farmers with information on economic, financial, organizational, legal, and social aspects of cooperative activity. In today's rapidly changing economic environment, ACS provides technical advice to assist farmer cooperatives in the development and operation of viable profitable organizations serving the nation's family farmers.

ACS is headquartered in Washington, D.C., with 3 field offices which are in Hilo, Hawaii; London, Kentucky; and Greenville, North Carolina. As of September 30, 1986, ACS employed 61 permanent full-time and 4 part-time personnel, 62 of whom were located in headquarters and 3 in the field offices.

AGRICULTURAL COOPERATIVE SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Agricultural Cooperative Service	$ 4,484,000	63	$ 4,579,000	64	$ 3,722,000	64
Total, Agricultural Cooperative Service	$ 4,484,000	63	$ 4,579,000	64	$ 3,722,000	64

Full-time Equivalent Staff-Years:	1986 Actual	1987 Estimate	1988 Estimate
Ceiling	63	64	64
Non-Ceiling	--	--	--
Total	63	64	64

AGRICULTURAL COOPERATIVE SERVICE

Permanent Positions by Grade and Staff-Years Summary

1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	4	--	4	4	--	4
GS/GM-14	11	--	11	11	--	11	11	--	11
GS/GM-13	17	3	20	17	3	20	17	3	20
GS-12	7	--	7	7	--	7	7	--	7
GS-11	2	--	2	2	--	2	2	--	2
GS-9	2	--	2	2	--	2	2	--	2
GS-7	6	--	6	6	--	6	6	--	6
GS-6	4	--	4	4	--	4	4	--	4
GS-5	6	--	6	6	--	6	6	--	6
Other Graded Positions	--	--	--	--	--	--	--	--	--
Ungraded Positions	1	--	1	1	--	1	1	--	1
Total Permanent Positions	61	3	64	61	3	64	61	3	64
Staff Years:									
Ceiling	60	3	63	61	3	64	61	3	64
Non-Ceiling	--	--	--	--	--	--	--	--	--
TOTAL	60	3	63	61	3	64	61	3	64

AGRICULTURAL COOPERATIVE SERVICE
CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

		1986	1987	1988
Personnel Compensation:				
Headquarters		$ 2,369,008	$ 2,429,000	$ 2,446,000
Field		129,665	133,000	134,000
11	Total personnel compensation	2,498,673	2,562,000	2,580,000
12	Personnel benefits	280,948	330,000	455,000
Total personnel compensation and benefits		2,779,621	2,892,000	3,035,000
Other Objects:				
21	Travel	134,640	170,000	115,000
22	Transportation of things	1,039	--	--
23.2	Rental payments to others	650	2,000	2,000
23.3	Communications, utilities, and miscellaneous charges	155,340	162,000	112,000
24	Printing and reproduction	96,643	133,000	--
25	Other services	1,066,268	1,047,000	383,000
26	Supplies and material	62,004	68,000	30,000
31	Equipment	105,758	105,000	45,000
Total other objects		1,622,342	1,687,000	687,000
Total direct obligations		4,401,963	4,579,000	3,722,000
Position Data:				
Average Salary, ES positions		$ 70,500	$ 72,615	$ 72,615
Average Salary, GM/GS positions		$ 35,926	$ 37,003	$ 37,003
Average Grade, GM/GS positions		11.19	11.19	11.19

AGRICULTURAL COOPERATIVE SERVICE

The estimates include appropriation language for this item as follows: (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necessary expenses to carry out the Cooperative Marketing Act of July 2, 1926 (7 U.S.C. 451-457), and for activities relating to the marketing aspects of cooperatives including economic research and analysis and the application of economic research findings, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), and for activities with institutions or organizations throughout the world concerning the development and operation of agricultural cooperatives (7 U.S.C. 3291) [$4,469,000] $3,722,000 [of which $99,000 shall be available for a field office in Hawaii:] Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $15,000 shall be available for employment under 5 U.S.C. 3109.

The change in language is for deletion of a provision setting aside $99,000 for maintaining a field office in Hawaii. The Department believes that such restrictive language should not be placed in the appropriation act. The Hilo, Hawaii office remains a fully functional office but the level of funding should depend on the overall needs of the Agency. The Agency remains committed to fully staff and maintain the Hilo office in FY 1988. Spending in FY 1988 is estimated at $74,000.

SALARIES AND EXPENSES - CURRENT LAW

Appropriation Act, 1987	$4,469,000
Budget Estimate, Current Law, 1988	3,722,000
Decrease in Appropriation	- 747,000

Adjustments in 1987:		
Appropriation Act, 1987	$4,469,000	
Pay costs and retirement costs	+ 110,000 a/	
Adjusted base for 1987		$4,579,000
Budget Estimate, Current Law, 1987		3,722,000
Decrease from adjusted, 1987		- 857,000

a/ Includes an increase of $64,000 for pay increases and $46,000 for retirement costs.

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	$3,722,000
Change due to proposed legislation	-3,722,000
Net Request, President's 1988 Budget Request	--

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost & FERS	Program Changes	1988 Estimated
Research on agricultural cooperatives	$2,735,000	+$ 85,000	-$1,000,000	$1,820,000
Technical assistance to agricultural cooperatives	1,844,000	+ 58,000	--	1,902,000
Total Available	4,579,000	+ 143,000 a/	- 1,000,000	3,722,000

a/ Includes an increase of $20,000 for pay increases effective in FY 1987 and $123,000 for increased retirement costs.

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

PROJECT	1986 Actual		1987 Estimated		Increase or Decrease	1988 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
1. Research on agricultural cooperatives	$2,629,257	39	$2,735,000	40	-$915,000	$1,820,000	40
2. Technical assistance to agricultural cooperatives	1,772,706	24	1,844,000	24	+ 58,000	1,902,000	24
Unobligated balance	82,037	--	--	--			
Total Available or estimate	4,484,000	63	4,579,000	64	-857,000(1)	3,722,000	64
Transfer for pay and FERS	--	--	- 110,000				
Total, Appropriation	4,484,000	63	4,469,000				

EXPLANATION OF PROGRAM

The Agricultural Cooperative Service serves as the national focal point and storehouse for information about farmer cooperatives. The major missions of the agency include research on cooperative problems and issues, providing technical assistance and advice to existing and newly emerging cooperative associations, collection and dissemination of cooperative statistics, and preparation and distribution of educational materials on cooperatives.

The Agency's research program includes studies of economic, financial, organizational, managerial, legal, social and policy related issues that affect cooperatives. Studies may be specific to a single commodity or group of commodities or may focus on specific functions which cut across commodity and service lines for cooperatives that market farm products, purchase production supplies, or perform related services.

Technical assistance is provided in response to requests, usually from cooperative boards of directors or organizational steering committees who may represent from a small group up to thousands of farmers. Types of technical assistance provided by ACS include feasibility analysis, merger and other organizational studies, strategic assessment and planning, and review of operations and performance of the range of cooperative activities. Feasibility analysis and organizational and educational assistance are provided for newly emerging cooperatives. ACS provides technical assistance for farmers and their cooperatives in most commodity and functional areas of cooperative operations. Legislation is being proposed for FY 1988 to fund all Agency activities through user fees.

JUSTIFICATION OF DECREASE

(1) A net decrease of $857,000 for Agricultural Cooperative Service activities, consisting of:

(a) An increase of $20,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $123,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) A decrease of $1,000,000 for research on agricultural cooperatives.

Need for Change. Reductions are proposed in some USDA programs for fiscal policy reasons in order the reduce persistent Federal deficits which continue to threaten economic recovery. The Agricultural Cooperative Service can provide selective services to farm cooperatives with a reduction in its research programs and a user fee operated educational program.

Nature of Change. The Agency will decrease research for cooperatives in dairy, crops and cooperative management and operations. In addition, research on aid to new and existing cooperatives will also be reduced. ACS also will begin charging user fees for its publications at the beginning of Fiscal Year 1988. The Agency has this authority under the Food Security Act of 1985. This user fee should save $300,000 of appropriated money.

Agricultural Cooperative Service

Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1988 Current Law	1988 Program Changes	1988 President's Request
Agricultural Cooperative Service	$3,722,000	-$3,722,000	--

Explanation of Proposed Legislation

The Agricultural Cooperative Service has been providing a wide range of research, education, and technical assistance programs to farmer cooperatives from appropriated funds. This proposal would initiate user fees for all Agency activities on the basis that these cooperatives are directly benefited, and they should pay the total cost of these services.

AGRICULTURAL COOPERATIVE SERVICE

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS

1986 AND ESTIMATED 1987 AND 1988

	FY 1986		FY 1987		FY 1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia.....	$4,206,645	60	$4,349,000	61	$3,517,000	61
Hawaii.....	70,788	1	99,000	1	74,000	1
Kentucky.....	56,811	1	60,000	1	60,000	1
North Carolina.....	67,719	1	71,000	1	71,000	1
Total.....	$4,401,963	63	$4,579,000	64	$3,722,000	64

PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Packers and Stockyards Administration was reestablished by Secretary's Memorandum No. 1000-1, of June 17, 1981. The Agency administers the Packers and Stockyards Act of 1921, as amended, and carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for pre-notification of security interests against farm products. The Agency also has responsibility with respect to persons and firms subject to the Packers and Stockyards Act for the Truth-in-Lending Act, the Fair Credit Reporting Act and Freedom of Information Act.

The principal purpose of the Packers and Stockyards Administration programs is to assure the integrity of the livestock, meat, and poultry markets and the market place. This includes fostering fair and open competition and guarding against deceptive and fraudulent practices which affect the movement and price of meat animals and the products therefrom. The work of the Agency is also aimed at protecting consumers and members of the livestock, meat and poultry industries against unfair business practices which can unduly affect meat and poultry distribution and prices.

The Food Security Act of 1985 permits the States to establish "central filing systems" for the purpose of pre-notifying buyers, commission merchants, and seller agents of security interests against "farm products". It is the responsibility of the Packers and Stockyards Administration to issue regulations and to certify those systems which meet the criteria set forth in the statute.

Headquarters of the Agency is located in Washington, D.C., with 12 field offices located in Atlanta, Georgia; Bedford, Virginia; Denver, Colorado; Fort Worth, Texas; Indianapolis, Indiana; Kansas City, Missouri; Lancaster, Pennsylvania; Lawndale, California; Memphis, Tennessee; Omaha, Nebraska; Portland, Oregon; and South St. Paul, Minnesota. As of September 30, 1986, there were 185 full-time permanent and 3 other employees. Of the total, 44 full-time employees and two other employees worked in the Headquarters office; 141 full-time employees and one other employee worked in the field offices.

PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Packers and Stockyards Administration	$8,833,000	183	$9,159,000	188	$9,423,000	188

Full-time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	183	188	188
Non-Ceiling	--	--	--
Total	183	188	188

PACKERS AND STOCKYARDS ADMINISTRATION

Permanent Positions by Grade and Staff-Year Summary

1986 Actual and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-4	1	--	1	1	--	1	1	--	1
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	4	--	4	4	--	4	4	--	4
GS/GM-14	7	--	7	7	--	7	7	--	7
GS/GM-13	11	12	23	13	12	25	13	12	25
GS-12	4	42	46	2	49	51	2	49	51
GS-11	3	32	35	3	42	45	3	42	45
GS-9	1	16	17	3	6	9	3	6	9
GS-8	1	--	1	1	--	1	1	--	1
GS-7	6	12	18	4	5	9	4	5	9
GS-6	5	7	12	7	9	16	7	9	16
GS-5	--	14	14	--	13	13	--	13	13
GS-4	--	4	4	--	6	6	--	6	6
GS-3	--	2	2	--	--	--	--	--	--
Total Permanent Positions	44	141	185	46	142	188	46	142	188
Staff Years:									
Ceiling	46	137	183	46	142	188	46	142	188
Non-Ceiling	--	--	--	--	--	--	--	--	--
TOTAL	46	137	183	46	142	188	46	142	188

PACKERS AND STOCKYARDS ADMINISTRATION

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$1,709,208	$1,820,936	$1,852,846
Field	4,129,148	4,399,064	4,476,154
11 Total personnel compensation	5,838,356	6,220,000	6,329,000
12 Personnel benefits	933,885	876,000	1,212,000
13 Benefits for former personnel	13,918	5,000	5,000
Total personnel compensation and benefits	6,786,159	7,101,000	7,546,000
Other Objects:			
21 Travel	497,709	585,000	575,000
22 Transportation of things	105,674	64,000	60,000
23.2 Rental Payments to others	114,257	125,000	130,000
23.3 Communications, utilities, and misc. charges	333,234	336,000	340,000
24 Printing and reproduction	30,737	23,000	23,000
25 Other services	612,857	616,000	562,000
26 Supplies and materials	103,059	84,000	87,000
31 Equipment	161,774	225,000	100,000
32 Lands and Structures	3,570	--	--
Total other objects	1,962,871	2,058,000	1,877,000
Total direct obligations.	8,749,030	9,159,000	9,423,000
Position Data:			
Average Salary, ES positions	$67,466	$67,466	$67,466
Average Salary, GM/GS positions	$31,809	$31,957	$31,957
Average Grade, GM/GS positions	10.08	10.36	10.36

Packers and Stockyards Administration

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Packers and Stockyards Administration:

> For necessary expenses for administration of the Packers and Stockyards Act, as authorized by law, and for certifying procedures used to protect purchases of farm products, including field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $5,000 for employment under 5 U.S.C. 3109, [$8,945,000] $9,423,000. (7 U.S.C. 181-229)

SALARIES AND EXPENSES

Appropriation Act, 1987	$8,945,000
Budget Estimate, 1988	9,423,000
Increase in Appropriation	+478,000

Adjustments in 1987:		
Appropriation Act, 1987	$8,945,000	
Pay costs and FERS	+214,000 a/	
Adjusted base for 1987		9,159,000
Budget estimate, 1988		9,423,000
Increase from adjusted 1987		+264,000

a/ Includes an increase of $156,000 for pay cost increases and $58,000 for FERS.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Administration of the Packers and Stockyards Act	$9,033,000	+$369,000	-$107,000	$9,295,000
Certification of "Clear Title"	126,000	+7,000	-5,000	128,000
Total Available	9,159,000	+376,000 a/	-112,000	9,423,000

a/ Includes an increase of $63,000 for pay costs effective in FY 1987 and $313,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

	1986 Actual		1987 Estimated			1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Increase	Amount	Staff-Years
1. Administration of the Packers and Stockyards Act	$8,676,677	181	$9,033,000	185	+$262,000 (1)	$9,295,000	185
2. Certification of Clear Title	72,353	2	126,000	3	+2,000 (2)	128,000	3
Unobligated balance	83,970	--	--	--	--	--	--
Total available or estimate	8,833,000	183	9,159,000	188	+264,000	9,423,000	188
Transfer from other accounts for increased pay costs			-156,000				
Transfer from other accounts for increase in Federal Employee Retirement System Benefits			-58,000				
Total, appropriation	8,833,000	183	8,945,000				

EXPLANATION OF PROGRAM

The Packers and Stockyards Administration (P&SA) administers the Packers and Stockyards Act (7 U.S.C. 181-229). The Agency also carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering "central filing systems" established by States for pre-notification of security interests against farm products. In addition, the Agency administers the Truth-in-Lending Act (15 U.S.C. 1601 et seq); the Fair Credit Reporting Act (15 U.S.C. 1681 et seq); and the Freedom of Information Act (5 U.S.C. 552) as these statutes apply to persons and firms subject to the P&S Act. Agency programs are designed to assure the integrity of the livestock meat and poultry markets and the market place. Other functions of the Agency include assuring prompt payment to producers for livestock, and assuring nondiscriminatory marketing charges and accurate weights. The Agency's programs also include protecting consumers from unfair business practices in the marketing of meat.

Coverage of Program:

	1986 Actual	1987 Estimated	1988 Estimated
Investigations	2,273	2,298	2,298
Market Agencies/Dealers Registered	9,815	9,550	9,300
Stockyards Posted	1,832	1,800	1,775
Slaughtering and Processing Packers Subject to the Act	6,000*	6,600	6,600
Meat Distributors, Brokers, and Dealers Subject to the Act	6,500*	6,500	6,500
Poultry Operations Subject to the Act	250*	250	250

*Estimated

The value of livestock, meat, and poultry subject to the Act is in excess of $58 billion each year.

The principal activities carried out in administering the Act are:

- Investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry.

- Investigating packer meat merchandising and chain store buying practices in order to maintain prices established by fair and competitive marketing practices.

- Investigating the financial condition and payment practices of market agencies, dealers, and packers subject to the Act to determine if they are financially sound and capable of meeting their obligations.

- Maintaining the integrity of the statutory trust for cash sellers of livestock to meat packers.

- Surveillance of marketing at public markets and geographical area markets to foster and maintain fair and effective competition and avoid conflicts of interest.

- Obtaining adequate surety bonds from auction operators, commission firms, dealers, and packers (purchasing more than $500,000 of livestock annually) to assure payment for livestock purchased.

- Investigating poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $262,000 for administration of the Packers and Stockyards Act ($9,033,000 available in FY 1987) consisting of:

(a) An increase of $61,000 to annualize pay costs and $308,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) A decrease of $107,000 to reflect the FY 1986 post sequestered level of services.

Need for Change: Total Federal expenditures must be reduced to an acceptable level to meet deficit mandates.

Nature of Change: Program activities will be maintained at the FY 1986 level with investigative priorities being directed toward the more serious violations of the Act.

(2) A net increase of $2,000 for Certification of Clear Title ($126,000 available in FY 1987) consisting of:

(a) An increase of $2,000 to annualize pay costs and $5,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) A decrease of $5,000 to reflect the FY 1986 post sequestered level of services.

Need for Change: Total Federal expenditures must be reduced to an acceptable level to meet deficit mandates.

Nature of Change: There will be no significant change in fulfilling the Agency's responsibilities under the Food Security Act of 1985 for certifying "clear title" procedures developed by States. The reduction will be accomplished through management efficiencies.

PACKERS AND STOCKYARDS ADMINISTRATION
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
D.C. Headquarters	$3,345,986	44	$3,423,000	44	$3,485,000	44
REGIONAL OFFICES:						
California	453,885	12	475,000	12	492,000	12
Colorado	434,777	11	478,000	12	495,000	12
Georgia	404,710	10	427,000	11	442,000	11
Indiana	443,261	13	489,000	13	507,000	13
Minnesota	483,493	12	537,000	12	554,000	12
Missouri	525,046	13	502,000	13	520,000	13
Nebraska	534,970	13	563,000	14	583,000	14
New Jersey	439,482	11	430,000	11	446,000	11
Oregon	367,440	10	417,000	11	432,000	11
Tennessee	452,284	12	444,000	11	460,000	11
Texas	398,200	11	481,000	13	499,000	13
Virginia	465,496	11	493,000	11	508,000	11
Total, Available or Estimate	8,749,030	183	9,159,000	188	9,423,000	188

FOOD SAFETY AND INSPECTION SERVICE

Purpose Statement

The Food Safety and Inspection Service was established on June 17, 1981, by Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201).

The major objective of the Agency is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged, as required by the Federal Meat Inspection Act and the Poultry Products Inspection Act.

The Meat and Poultry Inspection Program of the Food Safety and Inspection Service provides inplant inspection of all domestic establishments preparing meat or poultry products for sale or distribution in commerce; reviews foreign inspection systems and establishments that prepare meat or poultry products for export to the United States; and provides technical and financial assistance to States which maintain meat and poultry inspection programs equal to that of the Federal inspection program.

During 1986 the Agency maintained central offices in the Washington metropolitan area, five regional offices, 27 area offices, and a nationwide network of inspectors in approximately 7,200 establishments (including official import inspection facilities) in 50 States, Puerto Rico, American Samoa, Guam, and the Virgin Islands. Much of the work is conducted in cooperation with Federal, State and municipal agencies, as well as private industry. On September 30, 1986, the Agency employment totaled 9,069 permanent full-time employees and 833 other employees. Of these, 641 permanent full-time employees and 79 other employees were located in the central offices, and 371 permanent full-time employees and 18 other employees were in area and regional offices. The balance of 8,057 permanent full-time employees and 736 other employees were in field locations.

FOOD SAFETY AND INSPECTION SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Food Safety and Inspection Service						
Salaries and Expenses	$355,846,000	9,180	$373,904,000	9,426	$397,130,000	9,427
Obligations under other USDA Appropriations:						
APHIS for blood samples (MPI)	908,000	--	950,000	--	950,000	--
Total, Agriculture Appropriations	356,754,000	9,180	374,854,000	9,426	398,080,000	9,427
Non-Federal Funds:						
Reimbursements:						
Meat and Poultry Inspection	40,556,877	1,033	41,050,000	1,040	42,050,000	1,040
Trust Funds:						
Meat and Poultry Inspection	822,245	26	825,000	29	825,000	29
Total Non-Federal Funds	41,379,122	1,059	41,875,000	1,069	42,875,000	1,069
Total, Food Safety and Inspection Service	398,133,122	10,239	416,729,000	10,495	440,955,000	10,496

Full-Time Equivalent Staff Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	9,292	9,542	9,543
Non-ceiling	947	953	953
Total	10,239	10,495	10,496

FOOD SAFETY AND INSPECTION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	2		2	2		2	2		2
ES-5	4		4	4		4	4		4
ES-4	5	5	10	5	5	10	5	5	10
ES-3	2		2	2		2	2		2
ES-2	1		1	1		1	1		1
GS/GM-15	32	8	40	32	8	40	32	8	40
GS/GM-14	86	38	124	86	38	124	86	38	124
GS/GM-13	158	260	418	158	260	418	158	260	418
GS-12	79	824	903	79	824	903	79	824	903
GS-11	52	443	495	52	443	495	52	443	495
GS-10	1	167	168	1	167	168	1	167	168
GS-9	42	2,480	2,522	42	2,480	2,522	42	2,480	2,522
GS-8	12	855	867	12	855	867	12	855	867
GS-7	60	3,203	3,263	60	3,203	3,263	60	3,203	3,263
GS-6	51	42	93	51	42	93	51	42	93
GS-5	60	494	554	60	494	554	60	494	554
GS-4	41	106	147	41	106	147	41	106	147
GS-3	15	37	52	15	37	52	15	37	52
GS-2	8	3	11	8	3	11	8	3	11
GS-1	--	2	2	--	2	2	--	2	2
Ungraded Positions	6	16	22	6	16	22	6	16	22
Total Permanent Positions	717	8,983	9,700	717	8,983	9,700	717	8,983	9,700
Staff-years:									
Ceiling	709	8,583	9,292	709	8,833	9,542	709	8,834	9,543
Non-ceiling	1	946	947	1	952	953	1	952	953
TOTAL	710	9,529	10,239	710	9,785	10,495	710	9,786	10,496

FOOD SAFETY AND INSPECTION SERVICE

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$22,080,139	$22,920,000	$23,365,000
Field	217,830,289	226,211,000	230,610,000
11 Total Personnel compensation	239,910,428	249,131,000	253,975,000
12 Personnel benefits	36,647,441	43,997,000	55,506,000
13 Benefits for former personnel	1,389,828	1,411,000	1,415,000
Total Personnel Compensation and Benefits	277,947,697	294,539,000	310,896,000
Other Objects:			
21 Travel	15,966,833	18,286,000	19,644,000
22 Transportation of things	964,536	1,110,000	1,149,000
23 Communications, utilities and miscellaneous charges	6,520,444	6,865,000	7,307,000
24 Printing and reproduction	950,196	1,220,000	1,480,000
25 Other services	13,708,626	12,562,000	14,953,000
26 Supplies and materials	2,541,162	2,484,000	2,615,000
31 Equipment	3,187,642	1,394,000	2,218,000
41 Grants, subsidies, and contributions	33,857,000	35,425,000	36,846,000
42 Insurance claims and indemnities	18,303	19,000	22,000
43 Interest and dividends	389	--	--
Total Other Objects	77,715,131	79,365,000	86,234,000
Total Direct Obligations	355,662,828	373,904,000	397,130,000
Position Data:			
Average Salary, ES positions	$68,577	$70,100	$70,600
Average Salary, GM/GS positions	$25,727	$26,300	$26,500
Average Grade, GM/GS positions	8.54	8.54	8.54

FOOD SAFETY AND INSPECTION SERVICE

The Estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses to carry on services authorized by the Federal Meat Inspection Act, as amended, and the Poultry Products Inspection Act, as amended, [$361,400,000] $397,130,000: Provided, That this appropriation shall be available for field employment pursuant to section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $75,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 per centum of the current replacement value of the building.

SALARIES AND EXPENSES - CURRENT LAW

Appropriation Act, 1987	$361,400,000
Budget Estimate, Current Law, 1988	397,130,000
Increase in Appropriation	+35,730,000

Adjustments in 1987:			
Appropriation Act, 1987	$361,400,000		
Transfer to Departmental Administration	-65,000	a/	
Pay Costs and FERS	+12,569,000	b/	
Adjusted base for 1987			373,904,000
Budget Estimate, Current Law, 1988			397,130,000
Increase over adjusted 1987			+23,226,000

a/ A transfer of $65,000 to Departmental Administration to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1988.

b/ Includes an increase of $7,996,000 for pay increases and $4,573,000 for retirement costs.

SALARIES AND EXPENSES - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	$397,130,000
Change due to proposed legislation:	
User Fees	-397,130,000
Net Request, President's 1988 Budget Request	--

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS		Program Changes	1988 Estimated
Slaughter Inspection	$213,236,000	+$8,824,000		+$6,526,000	$228,586,000
Processing Inspection	92,935,000	+3,574,000		+1,054,000	97,563,000
Import-Export Inspection	9,346,000	+349,000		+192,000	9,887,000
Laboratory Services	22,962,000	+578,000		+708,000	24,248,000
Grants-to-States	35,425,000	--		+1,421,000	36,846,000
Total Available	373,904,000	+13,325,000	a/	+9,901,000	397,130,000

a/ Increase of $910,000 for Pay Increases effective in FY 1987 and $12,415,000 for increased retirement costs.

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1986 Actual		1987 Estimated		Increase or	1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Decrease	Amount	Staff-Years
Meat and Poultry Inspection							
(a) Slaughter Inspection	$202,668,275	6,299	$213,236,000	6,493	+$15,350,000(1)	$228,586,000	6,494
(b) Processing Inspection	88,139,477	2,343	92,935,000	2,358	+4,628,000(2)	97,563,000	2,358
(c) Import-Export Inspection	8,752,786	195	9,346,000	207	+541,000(3)	9,887,000	207
(d) Laboratory Services	22,245,290	343	22,962,000	368	+1,286,000(4)	24,248,000	368
(e) Grants-to-States	33,857,000	--	35,425,000	--	+1,421,000(5)	36,846,000	--
Total, Meat and Poultry Inspection	355,662,828	9,180	373,904,000	9,426	+23,226,000	397,130,000	9,427
Unobligated balance lapsing	183,172	--	--	--	--	--	--
Total available or estimate	355,846,000	9,180	373,904,000	9,426	+23,226,000	397,130,000	9,427
Transfer from other accounts for Pay Costs	--	--	-7,996,000	--			
Proposed supplemental for FERS	--	--	-4,573,000	--			
Transfer to Departmental Administration	+65,000	--	+65,000	--			
Total Appropriation	355,911,000	9,180	361,400,000	9,426			

EXPLANATION OF PROGRAM

The major objective of the Food Safety and Inspection Service is to ensure that the Nation's commercial supply of meat and poultry products is safe, wholesome, and correctly labeled and packaged.

The Meat and Poultry Inspection program is responsible for uniformly applying inspection procedures and standards for sanitation, humane slaughter, facilities and equipment, and product labeling at all establishments under Federal inspection. It is also responsible for assessing the effectiveness of State inspection programs to assure that standards at least equal to those under the Federal Meat Inspection Act and the Poultry Products Inspection Act are applied to meat and poultry establishments under State jurisdiction. Further, the program is responsible for reviewing foreign inspection systems and plants that export meat and poultry products to the United States, and inspecting imported product at ports of entry.

The Laboratory Services program supports meat and poultry inspection through the scientific examination of meat and poultry products for disease, contamination, or other forms of adulteration.

Legislation was enacted in 1986 to amend the continuous inspection requirements of the Federal Meat Inspection Act. The new Processed Products Inspection Improvement Act of 1986 gives the Secretary discretion to schedule inspection at processing plants based upon such criteria as the nature of the product produced and the plants' compliance histories.

INSPECTION DATA

	1986 Actual	1987 Estimated	1988 Estimated
Federally inspected establishments:			
Slaughter plants	433	430	430
Processing plants	5,051	5,070	5,090
Combination slaughter and processing plants	1,404	1,390	1,380
Import establishments	214	214	214
Federally inspected production (millions of pounds):			
Meat slaughter	37,042	36,300	36,300
Meat processing	66,605	66,000	66,000
Poultry slaughter	24,273	25,700	26,500
Poultry processing	60,471	65,000	67,000
Import/Export activity (millions of pounds):			
Meat and poultry imported	2,437	2,506	2,577
Meat and poultry exported	1,900	2,000	2,100
Imports refused entry	15	15	16
States and territories with cooperative agreements (end of year):			
Intrastate inspection	27	27	27
Talmadge-Aiken inspection	21	21	21
Number of slaughter and/or processing plants (excludes exempt plants)	3,708	3,700	3,700
Pounds inspected slaughter and processing (millions)	2,988	3,000	3,000
Compliance activities:			
Hazardous product detained (millions of pounds)	23	9	9
Compliance reviews	53,118	53,000	53,000
Detention actions	992	1,000	1,000
Laboratory services (samples analyzed):			
Food chemistry	77,101	80,000	80,000
Food microbiology	15,733	16,000	16,000
Chemical residues	37,204	40,000	40,000
Antibiotic residues	172,751	175,000	175,000
Pathology samples	11,723	8,400	8,400

GAO Reports

Number	Date Issued	Date Completed	Description
RCED-83-68	5/4/83	--	Federal Regulation of Meat and Poultry Products - Increased Consumer Protection and Efficiencies Needed.
RCED-84-23	10/21/83	5/1/86	USDA's Oversight of State Meat and Poultry Inspection Programs Could be Strengthened.

OIG Reports

38002-2-HY	9/12/86	--	Audit of the Imported Meat Process
38607-1-AT	9/26/86	--	OIG Nationwide Audit of FSIS Meat and Poultry Inspection Program

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $15,350,000 for Slaughter Inspection ($213,236,000 available in 1987) consisting of:

(a) An increase of $567,000 to annualize 1987 pay costs and an increase of $8,257,000 to fund costs associated with the Federal Employees' Retirement System in 1988.

(b) An increase of $3,027,000 to maintain adequate staffing levels in meat and poultry plants.

Need for Change. FSIS requires in 1988 a total of $4,506,000, of which $3,027,000 is in Slaughter Inspection, to maintain an Agency staffing level adequate to provide inspection service to new and expanding plants, allow proper supervision of the inplant workforce, reduce the number of vacant and doubled assignments, and collect and analyze additional meat and poultry product samples.

Nature of Change. The requested increase will allow the Agency to fill vacant inplant inspector positions.

(c) An increase of $1,580,000 to offset the rising cost of non-salary items and the added workday in 1988.

(d) An increase of $1,363,000 for improving the Agency's information systems.

Need for Change. The Agency has been inaugurating new more efficient inspection systems. In order to manage these new programs and maintain the wholesomeness of the product, FSIS requires more accurate and comprehensive information systems for scheduling its workforce and keeping records on plant operations, conditions and products.

Nature of Change. Two systems would assist the Slaughter Inspection activity. The first of these is an inspection position coverage system. Several hundred inspection assignments have no permanently assigned employee and several hundred inspectors are on leave status on any given workday. The daily task of matching available employees to inspectional requirements is not presently assisted by any automated data system. The proposed system will enable the agency in its decision making to consider factors such as travel times and distances, availability of other than permanent employees, and plant schedules. A modern data handling method for this task will permit efficient assignment of inspectors to jobs at the least cost to the Agency.

The second data system will document inplant reviews. As a result of an OIG audit report, FSIS has examined and redefined the systems used to review inplant conditions and inspection system effectiveness. Automation of the systems will allow FSIS to improve efficiency and paper handling, to profile industry conditions and inspection effectiveness by organizational level, and to better assess regulatory efforts. Among the results will be more effective and consistent corrective action on review results, improved supervisory direction at all organizational levels, and improved management evaluation and regulatory effectiveness.

(e) An increase of $556,000 to strengthen the review of program field operations.

Need for Change. FSIS currently reviews domestic inspection operations and assesses program effectiveness in inspection circuits. However, expanded reviews are required to examine organizational and supervisory concerns and complement circuit reviews to provide a more complete review and evaluation of the inspection system. Experience obtained in recent area reviews in southern California demonstrates the benefits of comprehensive assessments to management decision making. Strengthened reviews will provide independent oversight assessments of the implementation of periodic inspection and identify adjustments needed to promote uniform application of requirements.

Nature of Change. This initiative will broaden the scope of reviews in two ways. First, they will include interviews with MPIO supervisors, other inspection personnel and plant management officials. Interviews will cover subjects pertaining to supervisor/subordinate relations, integrity, performance evaluation, disciplinary actions, staffing, inspector/industry relations, working conditions, and communications. Second, reviews of import inspection activities will be broadened.

(2) A net increase of $4,628,000 for Processing Inspection ($92,935,000 available in 1987) consisting of:

(a) An increase of $246,000 to annualize 1987 pay costs and an increase of $3,328,000 to fund costs associated with the Federal Employees' Retirement System in 1988.

(b) An increase of $1,068,000 to maintain adequate staffing levels in meat and poultry plants.

This item has been discussed under Slaughter Inspection.

(c) An increase of $785,000 to offset the rising cost of non-salary items and the added workday in 1988.

(d) An increase of $1,037,000 for improving the Agency's information systems.

Need for Change. The Agency has been inaugurating new more efficient inspection systems. In order to manage these new programs and maintain the wholesomeness of the product, FSIS requires more accurate and comprehensive information systems for scheduling of its workforce and keeping records on plant operations, conditions and products.

Nature of Change. Two initiatives for Processing Inspection have been described under Slaughter Inspection: the workforce assignment system, and the plant review system. Also in 1988 FSIS plans to convert the Labeling Information System from the Washington Computer Center to FSIS computer equipment where it will be available for access to all authorized FSIS personnel. This system would be capable of immediate on-line update, inquiry and retrieval of information to assist reviewers in reviewing labels and formulating standards, and enhance the timely processing of label requests. The system will contribute to streamlining the label approval process and provide the necessary means to effectively manage an active base of over 700,000 product information records.

(e) An increase of $164,000 to strengthen the review of program field operations.

This item has been discussed under Slaughter Inspection.

(f) A decrease of $2,000,000 for the first year's effects of amendments allowing more flexible scheduling of inspection at processing plants.

Need for Change. In October 1986 Public Law 99-641 amended the continuous inspection requirements of the inspection act to grant the Secretary discretion to schedule inspection at processing plants based upon such criteria as the nature of the product produced and the plants' compliance histories.

Nature of Change. Implementation of the amendments by January 1, 1988 will allow a reduction in the 1988 cost of Processing Inspection of $2,000,000.

(3) An increase of $541,000 for Import-Export Inspection ($9,346,000 available in 1987) consisting of:

(a) An increase of $21,000 to annualize 1987 pay costs and an increase of $328,000 to fund costs associated with the Federal Employees' Retirement System in 1988.

(b) An increase of $83,000 to maintain adequate staffing levels in meat and poultry plants.

This item has been discussed under Slaughter Inspection.

(c) An increase of $88,000 to offset the rising cost of non-salary items and the added workday in 1988.

(d) An increase of $21,000 to strengthen the review of program field operations.

This item has been discussed under Slaughter Inspection.

(4) An increase of $1,286,000 for Laboratory Services ($22,962,000 available in 1987) consisting of:

(a) An increase of $76,000 to annualize 1987 pay costs and an increase of $502,000 to fund costs associated with the Federal Employees' Retirement System in 1988.

(b) An increase of $328,000 to maintain adequate staffing levels in meat and poultry inspection.

This item has been discussed under Slaughter Inspection.

(c) An increase of $380,000 to offset the rising cost of non-salary items and the added workday in 1988.

(5) An increase of $1,421,000 for Grants to States ($35,425,000 available in 1987) to offset increasing costs in the State Programs.

Need for Change. State-operated inspection programs are subject to increased costs for travel, training, and other goods and services. If USDA is unable to support fifty percent of the cost of these programs in fiscal year 1988, some States could be forced to terminate their programs. In these cases the Federal government is required to assume full responsibility for inspection in these states.

Nature of Change. Grants are increased by four percent over fiscal year 1987 levels.

FOOD SAFETY AND INSPECTION SERVICE

Summary of Increases and Decreases
(Thousands of Dollars)

	Slaughter	Processing	Imp/Exp	Laboratory Services	Grants	Total
FY 1987 Estimate.....	213,236	92,935	9,346	22,962	35,425	373,904
Pay Costs.....	567	246	21	76	--	910
FERS.....	8,257	3,328	328	502	--	12,415
Staffing.....	3,027	1,068	83	328	--	4,506
Rising Costs.....	1,580	785	88	380	1,421	4,254
Information Systems.....	1,363	1,037	--	--	--	2,400
Reviews.....	556	164	21	--	--	741
Discretionary Inspection	--	-2,000	--	--	--	-2,000
Total Increases.....	15,350	4,628	541	1,286	1,421	23,226
Total by Activity.....	228,586	97,563	9,887	24,248	36,846	397,130

Food Safety and Inspection Service
Proposed for Later Transmittal, Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION
(Dollars in thousands)

	1988		
	Current Law	User Fees	President's Request
Slaughter Inspection.....	$228,586	-$228,586	--
Processing Inspection.....	97,563	-97,563	--
Import/Export Inspection.....	9,887	-9,887	--
Laboratory Services.....	24,248	-24,248	--
Grants to States.....	36,846	-36,846	--
Total Available.....	397,130	-397,130	--

Explanation of Proposed Legislation:

USDA will submit legislation to implement across-the-board user fees to recover the full cost of agency operations except for the Grants-to-States Program. Separate legislation will be submitted permitting States to implement their own user fee programs.

Food Safety and Inspection Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF YEARS
1986 and Estimated 1987 and 1988

State	FY 1986		FY 1987 Estimate		FY 1988 Estimate	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama	$11,283,123	351	$11,862,000	361	$12,599,000	361
Alaska	381,864	0	401,000	0	426,000	0
Arizona	1,525,328	34	1,604,000	35	1,703,000	35
Arkansas	16,067,834	531	16,892,000	545	17,941,000	545
California	18,985,037	569	19,959,000	585	21,199,000	585
Colorado	5,190,992	148	5,457,000	152	5,796,000	152
Connecticut	1,439,291	39	1,513,000	40	1,607,000	40
Delaware	3,501,659	121	3,681,000	124	3,910,000	124
District of Columbia	39,521,859	621	41,547,000	634	44,124,000	635
Florida	5,775,248	119	6,071,000	122	6,449,000	122
Georgia	19,881,062	573	20,901,000	589	22,199,000	589
Hawaii	1,072,642	4	1,128,000	4	1,198,000	4
Idaho	2,030,998	61	2,135,000	63	2,268,000	63
Illinois	9,589,542	207	10,081,000	213	10,708,000	213
Indiana	6,022,796	126	6,332,000	129	6,725,000	129
Iowa	13,669,338	370	14,370,000	380	15,263,000	380
Kansas	8,984,552	239	9,445,000	246	10,032,000	246
Kentucky	3,980,625	111	4,185,000	114	4,445,000	114
Louisiana	4,371,834	87	4,596,000	89	4,882,000	89
Maine	1,268,119	37	1,333,000	38	1,416,000	38
Maryland	7,618,522	219	8,009,000	225	8,507,000	225
Massachusetts	2,461,711	73	2,588,000	75	2,749,000	75
Michigan	7,105,385	218	7,470,000	224	7,934,000	224
Minnesota	10,251,010	308	10,777,000	316	11,446,000	316
Mississippi	7,200,370	210	7,570,000	216	8,040,000	216
Missouri	10,806,746	313	11,361,000	322	12,067,000	322
Montana	1,553,438	44	1,633,000	45	1,735,000	45
Nebraska	9,411,446	275	9,894,000	283	10,509,000	283
Nevada	412,537	11	434,000	11	461,000	11
New Hampshire	589,906	16	620,000	16	659,000	16
New Jersey	4,758,596	138	5,003,000	142	5,313,000	142
New Mexico	1,067,380	23	1,122,000	24	1,192,000	24
New York	10,096,685	291	10,615,000	299	11,274,000	299
North Carolina	12,306,717	324	12,938,000	333	13,742,000	333
North Dakota	898,197	25	944,000	26	1,003,000	26
Ohio	9,394,216	173	9,876,000	178	10,490,000	178
Oklahoma	4,362,877	83	4,587,000	85	4,872,000	85
Oregon	2,735,608	78	2,876,000	80	3,055,000	80
Pennsylvania	15,454,998	439	16,248,000	451	17,257,000	451
Rhode Island	484,798	13	510,000	13	541,000	13
South Carolina	3,730,607	95	3,922,000	98	4,166,000	98
South Dakota	2,852,108	79	2,998,000	81	3,185,000	81
Tennessee	5,980,517	174	6,287,000	179	6,678,000	179
Texas	24,725,562	604	25,994,000	620	27,608,000	620
Utah	1,921,427	42	2,020,000	43	2,145,000	43
Vermont	457,227	6	481,000	6	511,000	6
Virginia	7,259,832	198	7,632,000	203	8,106,000	203
Washington	3,917,406	112	4,118,000	115	4,374,000	115
West Virginia	1,361,349	24	1,431,000	25	1,520,000	25
Wisconsin	6,897,251	157	7,251,000	161	7,701,000	161
Wyoming	63,923	2	67,000	2	71,000	2
Guam	33,792	1	36,000	1	38,000	1
Puerto Rico	1,975,836	54	2,077,000	55	2,206,000	55
Samoa	18,631	1	20,000	1	21,000	1
Virgin Islands	78,708	2	83,000	2	88,000	2
Foreign Countries	873,766	7	919,000	7	976,000	7
Total Available or Estimate	355,662,828	9,180	373,904,000	9,426	397,130,000	9,427

ECONOMIC RESEARCH SERVICE

Purpose Statement

The Economic Research Service (ERS), originally established in 1961 principally under the authority of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), was reestablished under the authority of the Secretary of Agriculture as a USDA bureau in 1981.

ERS produces economic and other social science information as a service to the general public and to aid Congress and the Executive Branch in developing, administering, and evaluating agricultural and rural policies and programs. ERS monitors, analyzes, and forecasts U.S. and world agricultural production and demand for production resources, agricultural commodities, and food and fiber products. ERS also measures the costs of and returns to agricultural production and marketing; evaluates the economic performance of U.S. agricultural production and marketing; and estimates the effects of Government policies and programs on farmers, rural residents and communities, natural resources, and Americans in general. In addition, ERS produces economic and other social science information about the organization and institutions of the U.S. and world agricultural production and marketing systems, natural resources, and rural communities.

ERS-produced information is made widely available to the general public through research monographs, situation and outlook reports, professional and trade journals (including ERS's journal, Agricultural Economics Research), magazines (including ERS's magazines, Agricultural Outlook, Farmline, National Food Review, and Rural Development Perspectives), radio, television, newspapers, direct computer access, and frequent participation of ERS staff at various public forums.

ERS has four major program areas--agriculture and rural economics, international economics, national economics, and resource economics--that carry out the four principal functions of ERS: research, situation and outlook analysis, staff analysis, and data collection. Research and data provide the knowledge base and undergird the situation and outlook and staff analyses functions. The situation and outlook function entails periodic reports that analyze the current situation and forecast the short-term outlook for major agricultural commodities, agricultural exports, agricultural finance, agricultural resources, and world agriculture. Staff analysis entails brief assessments of issues requiring policy decisions by the Executive Branch and Congress.

ERS is located in Washington, DC. As of September 30, 1986, ERS had 791 permanent full-time employees and 55 part-time employees.

ECONOMIC RESEARCH SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Economic Research Service	$44,099,000	811	$45,361,000	848	$49,045,000	857
Obligations under other USDA appropriations:						
Agricultural Marketing Service for study of marketing of U.S. agricultural products.....	98,190	--	23,000	--	--	--
Agricultural Stabilization and Conservation Service for the rural clean water program	359,806	5	94,000	2	--	--
Cooperative State Research Service for history of Experiment Stations and water quality study.....	128,576	2	44,000	1	--	--
Food Safety and Inspection Service for diseases in food animals study.....	49,639	1	--	--	--	--
Foreign Agricultural Service for international trade studies.....	52,477	--	20,000	--	--	--
National Agricultural Statistics Service for joint publication.....	5,000	--	--	--	--	--
Soil Conservation Service for economic research on erosion model and river basins.....	300,599	3	27,000	--	--	--
Various USDA Agencies for agency support of Great Plains Council programs ...	10,716	--	43,000	1	43,000	1
Total, Other USDA Appropriations	1,005,003	11	251,000	4	43,000	1
Total, Agriculture Appropriations	45,104,003	822	45,612,000	852	49,088,000	858

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Other Federal Funds:						
Commerce, Department of, for employment and rural business studies	108,000	--	--	--	--	--
Corps of Engineers for analysis of Galveston Bay exports	36,749	--	--	--	--	--
National Institute of Mental Health for study of health demographics profile system	25,750	--	--	--	--	--
Office of International Cooperation and Development for personnel details and food aid studies	1,051,578	23	878,000	19	597,000	13
Office of Technology Assessment for study of African resource data	8,000	--	--	--	--	--
Tennessee Valley Authority for census of selected counties	10,000	--	--	--	--	--
Total, Other Federal Funds	1,240,077	23	878,000	19	597,000	13
Non-Federal Funds:						
Miscellaneous Contributed Funds for American Agricultural Economics Association support, user fees, National Academy of Sciences, and Puerto Rico	52,187	1	44,000	1	33,000	1
State of Arizona for water conservation study	43,435	--	--	--	--	--
Total, Non-Federal Funds	95,622	1	44,000	1	33,000	1
Total, Economic Research Service	46,439,702	846	46,534,000	872	49,718,000	872

Full-time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	846	872	872
Non-ceiling	--	--	--
Total	846	872	872

ECONOMIC RESEARCH SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	FY 1986			FY 1987			FY 1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	--	1	1	--	1	1	--	1
ES-4	4	--	4	4	--	4	4	--	4
ES-3	2	--	2	2	--	2	2	--	2
ES-2	1	--	1	1	--	1	1	--	1
GS/GM-15	52	--	52	52	--	52	52	--	52
GS/GM-14	99	2	101	100	1	101	100	1	101
GS/GM-13	172	2	174	172	2	174	172	2	174
GS-12	148	3	151	148	3	151	148	3	151
GS-11	55	1	56	56	--	56	56	--	56
GS-9	48	--	48	48	--	48	48	--	48
GS-8	11	--	11	11	--	11	11	--	11
GS-7	44	--	44	44	--	44	44	--	44
GS-6	65	--	65	65	--	65	65	--	65
GS-5	55	--	55	55	--	55	55	--	55
GS-4	23	--	23	23	--	23	23	--	23
GS-3	11	--	11	11	--	11	11	--	11
GS-2	5	--	5	5	--	5	5	--	5
Total Permanent Positions	796	8	804	798	6	804	798	6	804
Staff-Years:									
Ceiling	814	32	846	862	10	872	864	8	872
Non-Ceiling	--	--	--	--	--	--	--	--	--
TOTAL	814	32	846	862	10	872	864	8	872

ECONOMIC RESEARCH SERVICE

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$27,435,407	$29,156,000	$29,701,000
Field	1,127,000	348,000	280,000
11 Total personnel compensation	28,562,407	29,504,000	29,981,000
12 Personnel Benefits ...	3,475,608	4,131,000	5,715,000
13 Benefits for former personnel	241,739	202,000	202,000
Total Personnel Compensation & Benefits.....	32,279,754	33,837,000	35,898,000
Other Objects:			
21 Travel	518,941	636,000	658,000
22 Transportation of things	82,650	32,000	33,000
23.3 Communications, utilities and miscellaneous charges..	781,921	876,000	907,000
24 Printing and reproduction	367,813	389,000	403,000
25 Other services	8,405,343	8,481,000	9,997,000
26 Supplies and materials	423,350	449,000	465,000
31 Equipment	1,122,544	661,000	684,000
Total other objects	11,702,562	11,524,000	13,147,000
Total direct obligations .	43,982,316	45,361,000	49,045,000
Position Data:			
Average Salary, ES positions	$67,691	$69,754	$69,754
Average Salary, GS positions	$34,840	$35,885	$35,885
Average Grade, GS positions	10.7	10.7	10.7

ECONOMIC RESEARCH SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Economic Research Service:

For necessary expenses of the Economic Research Service in conducting economic research and service relating to agricultural production, marketing, and distribution, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627), and other laws, including economics of marketing; analyses relating to farm prices, income and population, and demand for farm products, use of resources in agriculture, adjustments, costs and returns in farming, and farm finance; research relating to the economic and marketing aspects of farmer cooperatives; and for analyses of supply and demand for farm products in foreign countries and their effect on prospects for United States exports, progress in economic development and its relation to sales of farm products, assembly and analysis of agricultural trade statistics and analysis of international financial and monetary programs and policies as they affect the competitive position of the United States farm products; [$43,982,000] $49,045,000 of which not less than $200,000 shall be available for investigation, determination and finding as to the effect upon the production of food and upon the agricultural economy of any proposed action affecting such subject matter pending before the Administrator of the Environmental Protection Agency for presentation, in the public interest, before said Administrator, other agencies or before the courts: Provided, That not less than $350,000 of the funds contained in this appropriation shall be available to continue to gather statistics and conduct a special study on the price spread between the farmer and the consumer: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225): Provided further, That not less than $145,000 of the funds contained in this appropriation shall be available for analysis of statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis.

ECONOMIC RESEARCH SERVICE

Appropriation Act, 1987	$ 43,982,000
Budget Estimate, 1988	49,045,000
Increase in Appropriation	+5,063,000

Adjustments in 1987		
Appropriation Act, 1987	$43,982,000	
Transfer from other accounts for Increased Pay and Retirement Cost	+1,395,000 a/	
Transfer to Departmental Administration Reimbursable Activities	-16,000 b/	
Adjusted base for 1987		45,361,000
Budget Estimate, 1988		49,045,000
Increase over adjusted 1987		+3,684,000

a/ Includes an increase of $815,000 for pay costs and an increase of $580,000 for Federal Employees Retirement System (FERS) costs.

b/ A transfer of $16,000 to Departmental Administration to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1988.

SUMMARY OF INCREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Economic Analysis and Research	$45,361,000	+$1,875,000 a/	+$1,809,000	$49,045,000

a/ Includes an increase of $291,000 for pay increases effective in FY 1987 and $1,584,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff-Years	1987 Estimated Amount	1987 Estimated Staff-Years	Increase	1988 Estimated Amount	1988 Estimated Staff-Years
1. Economic Analysis and Research	$43,982,316	811	$45,361,000	848	+$3,684,000 1/	$49,045,000	857
Unobligated balance lapsing	116,684	--	--	--	--	--	--
Total available or estimate	44,099,000	811	45,361,000	848	+3,684,000	49,045,000	857
Transfer to Departmental Administration	+16,000	--	+16,000	--			
Transfer from Agricultural Marketing Service	-70,000	-2	--	--			
Transfer from other Agencies for Increased Pay and Retirement Costs	--	--	-1,395,000	--			
Total, appropriation	44,045,000	809	43,982,000	848			

EXPLANATION OF PROGRAM

The appropriation for the Economic Research Service funds the following activity:

-- Economic analysis and research - This activity includes research, situation and outlook, staff analysis, and data collection in four major program areas--agriculture and rural economics, international economics, national economics, and resource economics.

GAO Report #RCED-86-3BR 11/85 Agriculture Overview--U.S. Food/Agriculture in a Volatile World Economy.

GAO Report #RCED-86-126BR 3/86 Farm Finance--Farm Debt, Government Payments, and Options to Relieve Financial Stress.

OIG Report 50-563-20-SF 2/27/86 Audit on Research Program of Oregon State Department of Higher Education.

OIG Report 50-563-72-AT 5/27/86 Financial and Compliance Audit of University of Georgia, Athens.

OIG Report 50-563-75-AT 6/11/86 Financial and Compliance Audit of University of Tennessee, Knoxville.

OIG Report 50-563-76-AT 6/20/86 Financial and Compliance Audit of University of Kentucky, Lexington.

OIG Report 50-563-21-SF 9/10/86 Audit of Federal Awards and Other Agreements for the University of Nevada System, State of Nevada.

OIG Report 50-568-6Ch 9/25/86 Audit on Financial Assistance to Southwestern Illinois Metropolitan and Regional Planning Commission.

JUSTIFICATION OF INCREASES

(1) An increase of $3,684,000 in economic analysis and research consisting of:

(a) An increase of $291,000 to annualize 1987 pay costs and an increase of $1,584,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) An increase of $1,809,000 to restore the research programs of ERS and maintain the Farm Cost and Returns Survey.

Need for Change. Despite budget reductions, ERS has had to respond to a dramatic increase in Congressional and USDA requests for economic research, situation and outlook analysis, staff analysis, and data. The National Agricultural Research and Extension Users Advisory Board has also recommended more research on trade, agricultural policy, technology, and structural changes.

ERS has made reductions in the depth of all program areas and has had to reduce cooperative research with universities by $1.7 million in FY 1987 from the FY 1986 level. Many critical research areas have only one assigned economist with no backup. Further absorption of increased costs would force more reductions in the core work on commodities, situation and outlook, farm and trade policy, finance and tax issues, and monitoring of agricultural trade.

Nature of Change. The 1988 level consists of an increase of $1,809,000 over the 1987 appropriation excluding pay costs and costs associated with the Federal Employees Retirement System. This amount includes a $300,000 increase to maintain the Farm Costs and Returns Survey at its 1986 sample size. The remaining $1,509,000 increase over the 1987 appropriation is to restore the research programs of ERS to their 1985 levels, including significant redirection of research projects to the highest priority issues. Work to be restored includes research on marketing orders, conservation, rural financial conditions, and foreign competition. Redirections would be from rural economic development, energy, transportation and storage, soil and water economics, and domestic marketing to agriculture-macroeconomy links, farm and rural household financial conditions, taxes and credit, competitiveness of U.S. agriculture in world markets, trade liberalization, commodity situation and outlook, improved economic indicators for the U.S. farm sector, technology and productivity, and manufactured inputs.

Economic Research Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Alabama.....	$ 2,778	--	--	--	--	--
Arizona.....	107,471	--	--	--	--	--
Arkansas.....	93,309	2	$64,000	1	65,000	1
California.....	221,344	3	125,000	3	91,000	2
Colorado.....	159,129	3	44,000	1	--	--
Connecticut....	12,500	--	--	--	--	--
Delaware.....	66,027	2	--	--	--	--
District of Columbia.....	41,797,904	779	44,867,000	838	48,738,000	851
Florida.....	65,951	1	69,000	1	69,000	1
Georgia.....	35,529	--	--	--	--	--
Illinois.....	85,901	2	--	--	--	--
Indiana.....	38,017	--	20,000	--	--	--
Iowa.....	72,172	1	--	--	--	--
Louisiana.....	783	--	--	--	--	--
Maryland.....	23,695	--	--	--	--	--
Michigan.....	119,443	2	--	--	--	--
Minnesota.....	116,629	2	--	--	--	--
Mississippi....	89,713	2	--	--	--	--
Missouri.....	78,014	1	--	--	--	--
Nebraska.....	74,862	2	--	--	--	--
New York.....	26,900	--	--	--	--	--
North Carolina.	72,088	1	--	--	--	--
North Dakota...	20,000	--	--	--	--	--
Ohio.....	90,000	--	33,000	1	41,000	1
Oklahoma.....	14,019	--	--	--	--	--
Pennsylvania...	81,136	2	41,000	1	41,000	1
Texas.....	227,886	4	90,000	2	--	--
Virginia.....	20,020	--	--	--	--	--
Wisconsin.....	169,096	2	8,000	--	--	--
Total, Available or Estimate..	43,982,316	811	45,361,000	848	49,045,000	857

NATIONAL AGRICULTURAL STATISTICS SERVICE

Purpose Statement

The National Agricultural Statistics Service (NASS), formerly known as the Statistical Reporting Service (SRS), was reestablished as a separate agency in the USDA on September 30, 1981. The primary responsibilities of NASS are the development and issuance of national and State agricultural statistics and the conduct of statistical research as authorized under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

NASS programs are conducted in the following major areas:

1. Crop and Livestock Estimates. This area includes the conducting of mail, enumerative and objective measurement surveys; summarizing and analyzing survey data; developing estimates of production, supply, price and other aspects of the agricultural economy; preparation and issuance of the official USDA national and State estimates and reports relating to acreages, types, and production of farm crops, number of livestock on farms, livestock products, stocks of agricultural commodities, value and utilization of farm products, prices received and paid by farmers, and other subjects as required.

2. Statistical Research and Service. This area includes the research on and development of improved statistical techniques used in gathering and evaluating statistical data, including use of satellite data.

3. Work Performed for Others. Services are performed for other Federal and State agencies and private commodity organizations on a reimbursable or advance payment basis. These services consist primarily of conducting surveys and performing related statistical data collection activities. They also include technical consultation and support, and technical assistance programs abroad under participating agency service agreements.

The National Agricultural Statistics Service maintains a central office in Washington, D.C., with a large part of the agricultural statistics program carried out through 44 State Statistical Offices serving the 50 States. Most State Statistical Offices are operated as joint State and Federal services through cooperative arrangements with various State agencies. As of September 30, 1986, the Service had 985 full-time permanent employees and 125 part-time employees, including 344 permanent full-time and 58 part-time employees located in Washington, D.C.

NATIONAL AGRICULTURAL STATISTICS SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
National Agricultural Statistics Service	$56,195,000	968	$58,294,000	981	$63,014,000	989
Obligations under other USDA appropriations:						
Agricultural Cooperative Service for data on and use of farmer cooperatives	47,000	1	265,000	4	265,000	4
Agricultural Marketing Service for data on milk prices	53,000	1	53,000	1	53,000	1
Agricultural Stabilization and Conservation Service (CCC) for data on feed grains, honey, and sugar	133,000	2	108,000	2	108,000	2
Economic Research Service for data on farm costs and returns, farm and rural markets, fertilizer, land transfer, land values, and farm real estate taxes	3,040,000	52	3,318,000	57	3,407,000	58
Extension Service for ADP assistance	1,500	--	1,500	--	1,500	--
Federal Crop Insurance Corporation for acreage and yield production data on insured crops	434,000	7	470,000	8	470,000	8
Forest Service for data on grazing fees	33,000	1	31,500	1	31,500	1
Office of Energy for data on farm equipment	5,000	--	--	--	--	--
Soil Conservation Service for weather work and survey support	8,500	--	2,000	--	2,000	--
World Agricultural Outlook Board for weather work, and grain report and lockup support	8,522	--	6,000	--	6,000	--
Total, Other USDA Appropriations	3,763,522	64	4,255,000	73	4,344,000	74
Total, Agriculture Appropriations	59,958,522	1,032	62,549,000	1,054	67,358,000	1,063

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Other Federal Funds:						
Commerce, Department of, for:						
training, weather work, area sample selection, data collection, and State and county estimates	372,080	6	356,000	4	267,000	3
Environmental Protection Agency for data on fuel and underground storage structures	120,000	2	--	--	--	--
Interior, Department of, for:						
data on grazing fees	27,000	--	31,500	1	31,500	1
International Trade Commission for data on floriculture	--	--	1,500	--	1,500	--
Tennessee Valley Authority for data on energy	90,000	1	--	--	--	--
Office of International Cooperation and Development (from AID) for training, technical assistance, and equipment	2,982,822	20	1,481,000	15	1,481,000	15
Total, Other Federal Funds	3,591,902	29	1,870,000	20	1,781,000	19
Non-Federal Funds:						
State Agencies for survey work	1,065,588	18	1,075,000	18	1,075,000	18
Miscellaneous Contributed Funds for distribution of crop releases and data tapes and for data on almonds, barley, beans, butter, catfish, grapes, hops, malting barley, pistachios, walnuts, and wheat	191,653	2	173,000	1	150,000	1
Total, Non-Federal Funds	1,257,241	20	1,248,000	19	1,225,000	19
Total, National Agricultural Statistics Service	64,807,665	1,081	65,667,000	1,093	70,364,000	1,101

Full-time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	1,080	1,091	1,099
Non-ceiling	1	2	2
Total	1,081	1,093	1,101

NATIONAL AGRICULTURAL STATISTICS SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	FY 1986			FY 1987			FY 1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	--	--	--	1	--	1	1	--	1
ES-5	1	--	1	--	--	--	--	--	--
ES-4	2	--	2	2	--	2	2	--	2
ES-3	1	--	1	1	--	1	1	--	1
ES-2	2	--	2	2	--	2	2	--	2
ES-1	1	--	1	1	--	1	1	--	1
GS/GM-15	17	13	30	17	13	30	17	13	30
GS/GM-14	36	34	70	36	34	70	36	34	70
GS/GM-13	111	68	179	107	70	177	108	71	179
GS-12	38	89	127	38	89	127	38	90	128
GS-11	11	92	103	12	90	102	12	91	103
GS-9	16	52	68	16	55	71	16	56	72
GS-8	12	1	13	13	1	14	13	1	14
GS-7	26	34	60	26	31	57	26	31	57
GS-6	35	72	107	33	73	106	33	74	107
GS-5	36	113	149	36	111	147	36	112	148
GS-4	25	75	100	27	65	92	27	66	93
GS-3	8	39	47	7	32	39	7	32	39
GS-2	1	--	1	3	--	3	3	--	3
Other Graded Positions	--	6	6	--	7	7	--	7	7
Total Permanent Positions	379	688	1,067	378	671	1,049	379	678	1,057
Staff-Years:									
Ceiling	381	699	1,080	395	696	1,091	400	699	1,099
Non-Ceiling	--	1	1	1	1	2	1	1	2
TOTAL	381	700	1,081	396	697	1,093	401	700	1,101

NATIONAL AGRICULTURAL STATISTICS SERVICE

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$11,233,931	$11,885,000	$12,216,000
Field	16,616,109	16,954,000	17,083,000
11 Total personnel compensation	27,850,040	28,839,000	29,299,000
12 Personnel Benefits	4,034,032	4,727,000	6,282,000
13 Benefits for former personnel	29,854	16,000	16,000
Total Personnel Compensation & Benefits	31,913,926	33,582,000	35,597,000
Other Objects:			
21 Travel	974,715	1,143,000	1,286,000
22 Transportation of things	342,645	273,000	306,000
23.3 Communications, utilities and miscellaneous charges	3,697,312	3,896,000	4,368,000
24 Printing and reproduction	347,560	345,000	387,000
25 Other services	17,386,012	17,287,000	18,936,000
26 Supplies and materials	709,371	769,000	886,000
31 Equipment	730,821	999,000	1,248,000
42 Insurance claims and indeminities	1,350	--	--
43 Interest and dividends	1,513	--	--
Total other objects	24,191,299	24,712,000	27,417,000
Total direct obligations	56,105,225	58,294,000	63,014,000
Position Data:			
Average Salary, ES positions	$66,137	$68,386	$68,386
Average Salary, GS positions	$28,794	$29,878	$29,870
Average Grade, GS positions	9.0	9.1	9.1

NATIONAL AGRICULTURAL STATISTICS SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

NATIONAL AGRICULTURAL STATISTICS SERVICE:

For necessary expenses of the National Agricultural Statistics Service in conducting statistical reporting and service work, including crop and livestock estimates, statistical coordination and improvements, and marketing surveys, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627) and other laws, [$56,787,000] $63,014,000: Provided, That, hereafter, no funds available to the Department of Agriculture shall be available to publish estimates of apple production for other than the commercial crop: Provided further, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $40,000 shall be available for employment under 5 U.S.C. 3109.

NATIONAL AGRICULTURAL STATISTICS SERVICE

Appropriation Act, 1987		$ 56,787,000
Budget Estimate, 1988		63,014,000
Increase in Appropriation		+6,227,000
Adjustments in 1987:		
Appropriation Act, 1987	$56,787,000	
Transfer from other accounts for Increased Pay and Retirement Costs	+1,512,000 a/	
Transfer to Departmental Administration for Reimbursable Activities	-5,000 b/	
Adjusted base for 1987		58,294,000
Budget Estimate, 1988		63,014,000
Increase over adjusted 1987		+4,720,000

a/ Includes an increase of $900,000 for pay costs and an increase of $612,000 for Federal Employees Retirement System (FERS) costs.

b/ A transfer of $5,000 to Departmental Administration to fund activities previously financed on a reimbursable basis as a direct appropriation in FY 1988.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Crop Data Improvement.....	$8,925,000	+$307,000	+$800,000	$10,032,000
Improved ASB Methodology...	1,415,000	+49,000	+500,000	1,964,000
All Other.....	47,954,000	+1,652,000	+1,412,000	51,018,000
Total Available	58,294,000	+2,008,000 a/	+2,712,000	63,014,000

a/ Includes an increase of $339,000 for pay increases effective in FY 1987 and $1,669,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff-Years	1987 Estimated Amount	1987 Estimated Staff-Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff-Years
1. Crop and Livestock estimates..	$50,102,936	913	$52,213,000	925	+$4,367,000(1)	$56,580,000	933
2. Statistical research and service	6,002,289	55	6,081,000	56	+353,000(2)	6,434,000	56
Unobligated balance ..	89,775	--	--	--	--	--	--
Total available or estimate	56,195,000	968	58,294,000	981	+4,720,000	63,014,000	989
Transfer to Departmental Administration	+5,000	--	+5,000	--			
Transfer from other Agencies for Increased Pay and Retirement Costs ...	--	--	-1,512,000	--			
Total, appropriation	56,200,000	968	56,787,000	981			

EXPLANATION OF PROGRAM

The National Agricultural Statistics Service has two major activities authorized by the Agricultural Marketing Act of 1946, as follows:

-- Crop and livestock estimates - Agricultural production and marketing data are collected, summarized, analyzed, and published for a wide range of items including: number of farms and land in farms; acreage, yield, and production for grains; inventories and production of hogs, cattle, sheep and wool, goats, catfish, poultry, eggs, and dairy products; prices received by farmers for products, prices paid for commodities and services, and related indexes; cold storage supplies, and related areas of the agricultural economy. Estimates for about 120 crops and 45 livestock items are published in about 300 Federal reports each year. All information is made available to the public and news media at scheduled release times.

-- Statistical research and service - Research is conducted to improve the statistical methods and techniques used in developing agricultural statistics. This research is directed toward better sampling, yield forecasting, and survey techniques. Research under the remote sensing program is continuing to improve the accuracy of domestic and foreign crop acreage and land cover estimates

OIG Reports:

OIG Report 50099-31-Hy 12/23/86, "Use of Cooperative Agreements in USDA Audit Survey."

OIG Report 26555-1-Hy 9/19/86, "Official Draft Audit Report - Automated Data Processing Maintenance Agreements."

OIG Report 26001-1-Te 9/12/86, "Survey of National Agricultural Statistics Service Average Market Price of Wheat for 1985."

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $4,367,000 for crop and livestock estimates consisting of:

(a) An increase of $323,000 to annualize 1987 pay costs and an increase of $1,578,000 to fund increased costs associated with the Federal employees Retirement System.

(b) An increase of $1,166,000 for increased operating costs.

Need for Change. NASS is continually facing inflationary costs and has absorbed over 90 percent of these costs in the last 8 years. Continued absorption of these increased operating costs will severely affect the quality and coverage of the NASS programs. NASS will be required to reduce frequency and coverage of reports or eliminate reports to cover these costs.

Nature of Change. This will cover the increased costs associated with inflation affecting critical parts of the base crop and livestock estimating program. Examples of cost increases are travel, printing, communication services, supplies, equipment, machine maintenance, staff transfers, and ADP related costs.

(c) An increase of $800,000 for Crop Data Improvement ($8,925,000 available in 1987).

Need for Change. The demand for greater accuracy in the NASS crop estimates is increasing as more reliance is being placed upon them by various data users in their decisionmaking. NASS is moving towards improved reliability of crop estimates by expanding the use of probability based survey procedures. This approach has been

strongly recommended in recent years by several outside review teams examining NASS methodology.

Nature of Change. This initiative would continue the NASS effort to strengthen the crops estimating program through shifting to probability based surveys in additional major crop producing States. Included would be the acreage intentions, midyear acreage, monthly crop reports, and end-of-year crop acreage and production (A&P) surveys for major crops.

(d) An increase of $500,000 for Improved Agricultural Statistics Board (ASB) Methodology ($1,415,000 available in 1987).

Need for Change. Data users are becoming sophisticated with their own statistical techniques and will not accept less than the ASB using statistically defensible and repeatable procedures. The current strengths of the Board need to be built upon and any weaknesses discarded. Board members need the ability to evaluate all survey data more efficiently.

Nature of Change. This initiative would continue the NASS effort to improve the capabilities of the ASB to effectively evaluate all components of a survey and auxiliary information through establishment of a data base environment. In addition, a research and analysis effort will be continued to develop and implement composite estimators and time series analysis procedures.

(2) An increase of $353,000 for statistical research and service consisting of:

(a) An increase of $16,000 to annualize 1987 pay costs and an increase of $91,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) An increase of $246,000 for increased operating costs.

Need for Change. NASS is continually facing inflationary costs and has absorbed over 90 percent of these costs in the last 8 years. Continued absorption of these increased operating costs will severely affect the quality and coverage of the NASS programs, and cause significant curtailment or elimination of key components of the agency's survey and remote sensing research work.

Nature of Change. This will cover the increased costs associated with inflation affecting critical parts of the base NASS research program. Examples of cost increases are travel, printing, communication services, supplies, equipment, maintenance, research agreements, and ADP related costs.

NATIONAL AGRICULTURAL STATISTICS SERVICE
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	$644,089	14	$669,000	14	$723,000	14
Alaska	89,321	2	92,000	2	99,000	2
Arizona	443,207	9	460,000	10	497,000	10
Arkansas	927,862	17	964,000	18	1,042,000	17
California	2,814,245	33	2,605,000	34	2,816,000	33
Colorado	840,400	17	873,000	17	944,000	17
District of Columbia	20,929,312	350	22,309,000	356	24,112,000	361
Florida	948,069	19	985,000	19	1,065,000	19
Georgia	803,291	16	836,000	16	904,000	17
Hawaii	337,659	7	351,000	7	379,000	7
Idaho	746,425	14	757,000	14	818,000	14
Illinois	1,175,910	17	1,222,000	17	1,321,000	17
Indiana	803,307	14	834,000	14	902,000	14
Iowa	1,119,367	17	1,156,000	18	1,250,000	18
Kansas	1,046,326	19	1,078,000	18	1,165,000	18
Kentucky	747,685	15	777,000	15	840,000	15
Louisiana	842,132	12	875,000	12	946,000	12
Maryland	446,336	10	462,000	11	499,000	11
Michigan	916,246	16	946,000	16	1,023,000	17
Minnesota	1,116,912	18	1,141,000	18	1,233,000	18
Mississippi	889,291	14	924,000	14	999,000	14
Missouri	1,003,285	18	1,041,000	18	1,125,000	18
Montana	579,925	10	603,000	10	652,000	11
Nebraska	1,078,279	20	1,135,000	20	1,227,000	20
Nevada	150,686	3	157,000	3	170,000	3
New Hampshire	841,121	12	562,000	12	608,000	12
New Jersey	335,333	9	348,000	9	376,000	10
New Mexico	394,858	9	410,000	9	443,000	9
New York	1,001,230	15	1,021,000	15	1,104,000	15
North Carolina	1,001,038	16	1,040,000	16	1,124,000	17
North Dakota	671,780	14	698,000	14	755,000	14
Ohio	832,339	15	864,000	16	934,000	16
Oklahoma	747,864	14	777,000	14	840,000	14
Oregon	675,802	13	686,000	13	742,000	13
Pennsylvania	689,993	15	717,000	15	775,000	15
South Carolina	577,348	13	600,000	14	649,000	14
South Dakota	780,582	14	811,000	15	877,000	15
Tennessee	716,400	13	744,000	13	804,000	13
Texas	1,846,946	25	1,921,000	25	2,077,000	25
Utah	349,044	9	363,000	9	392,000	9
Virginia	741,467	12	921,000	12	996,000	12
Washington	838,504	14	872,000	14	943,000	14
West Virginia	319,672	8	332,000	8	359,000	8
Wisconsin	933,773	19	970,000	19	1,049,000	19
Wyoming	370,564	8	385,000	8	416,000	8
Total, Available or Estimate	56,105,225	968	58,294,000	981	63,014,000	989

PASSENGER MOTOR VEHICLES

The 1988 Budget Estimates proposes the purchase of 1 additional motor vehicle and the replacement of 3 passenger motor vehicles.

The passenger motor vehicles of the National Agricultural Statistics Service are used (where common carrier or GSA vehicles are not feasible) for necessary field travel in carrying out the mission of the agency. All passenger motor vehicles are located at various field offices.

Additional passenger motor vehicle. The one additional passenger motor vehicle is for the NASS field offices. GSA has gradually closed many of its motor pool facilities making it more difficult for NASS personnel to obtain cars when needed. The use of common carrier is not feasible in carrying out the program of NASS.

Replacement of passenger motor vehicles. Replacement of 3 of the 13 vehicles now in operation is proposed. These 13 vehicles are located in 12 field locations and are necessary to meet the transportation requirements inherent in carrying out the agency's program. The vehicles proposed to be replaced will have passed the minimum replacement standards of 6 years of age or 60,000 miles prescribed by the General Services Administration.

Age and mileage data for motor vehicles on hand as of September 30, 1986, are as follows:

Age Data			Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1981	4	31	60-80	4	31
1982	1	8	40-60	3	23
1983	2	15	20-40	1	8
1984	1	8	Under 20	5	38
1985	4	31	Total	13	100
1986	1	8			
	13	100 a/			

a/ Column does not add because of rounding.

WORLD AGRICULTURAL OUTLOOK BOARD

Purpose Statement

The World Agricultural Outlook Board (WAOB) was created by the Secretary of Agriculture on June 3, 1977, under the authority of the Reorganization Plan No. 2 of 1953. The WAOB serves as the single focal point for the Nation's economic intelligence related to domestic and international food and agriculture, and is responsible for coordination and clearance review of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department of Agriculture. The WAOB's primary objective is to improve the consistency, objectivity and reliability of outlook and situation material developed in the Department.

WAOB functions include information dissemination; market surveillance; coordination of assessments of international and domestic agricultural developments; and coordination of weather, climate and remote sensing research and forecasting techniques.

The WAOB is located in Washington, D.C. As of September 30, 1986, there were 23 full-time and 5 part-time employees. Budget, personnel, administrative and general managerial support are provided by the Economics Management Staff.

WORLD AGRICULTURAL OUTLOOK BOARD

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
World Agricultural Outlook Board	$1,598,000	26	$1,659,000	30	$1,802,000	30
Obligations under other USDA appropriations:						
Economic Research Service for annual Outlook Conference	12,800	- -	15,400	- -	15,900	- -
Extension Service for annual Outlook Conference	8,300	- -	10,300	- -	10,600	- -
Foreign Agricultural Service for annual Outlook Conference	4,200	- -	5,100	- -	5,300	- -
Office of International Cooperation and Development for Remote Sensing Symposia	10,000	- -	- -	- -	- -	- -
National Oceanic and Atmospheric Administration Equipment	25,000	- -	- -	- -	- -	- -
Miscellaneous reimbursements	1,243	- -	1,200	- -	1,200	- -
Total, Other USDA Appropriations	61,543	- -	32,000	- -	33,000	- -
Total, Agriculture Appropriations	1,659,543	26	1,691,000	30	1,835,000	30
Total, World Agricultural Outlook Board	1,659,543	26	1,691,000	30	1,835,000	30

Full-Time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	26	30	30
Non-ceiling	- -	- -	- -
Total	26	30	30

WORLD AGRICULTURAL OUTLOOK BOARD

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	1986 Headquarters	1987 Headquarters	1988 Headquarters
ES-4	1	1	1
ES-2	1	1	1
GS/GM-15	6	6	6
GS/GM-14	5	5	5
GS/GM-13	2	2	2
GS-12	5	5	6
GS-11	1	1	2
GS-9	4	4	2
GS-8	1	1	1
GS-7	1	2	2
GS-6	2	1	1
GS-5	- -	- -	1
GS-4	1	1	- -
Total Permanent Positions	30	30	30
Staff-Years:			
Ceiling	26	30	30
Non-Ceiling	- -	- -	- -
TOTAL	26	30	30

WORLD AGRICULTURAL OUTLOOK BOARD

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$1,095,071	$1,136,000	$1,222,000
Field	- -	- -	- -
11 Total personnel compensation	1,095,071	1,136,000	1,222,000
12 Personnel Benefits	117,316	153,000	200,000
Total Pers. Comp. & Benefits	1,212,387	1,289,000	1,422,000
Other Objects:			
21 Travel	17,108	33,000	33,000
22 Transportation of things	222	- -	- -
23.2 Communications, utilities and other rent	46,676	52,000	54,000
24 Printing and reproduction	20,304	24,000	25,000
25 Other services	156,977	168,000	174,000
26 Supplies and materials	35,243	25,000	26,000
31 Equipment	86,402	68,000	68,000
43 Interest and dividends	79	- -	- -
Total other objects	363,011	370,000	380,000
Total direct obligations	1,575,398	1,659,000	1,802,000
Position Data:			
Average Salary, ES positions	$66,262	$68,250	$68,250
Average Salary, GS positions	37,730	39,657	40,189
Average Grade, GS positions	11.57	11.61	11.82

WORLD AGRICULTURAL OUTLOOK BOARD

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

World Agricultural Outlook Board:

For necessary expenses of the World Agricultural Outlook Board to coordinate and review all commodity and aggregate agricultural and food data used to develop outlook and situation material within the Department of Agriculture, as authorized by the Agricultural Marketing Act of 1946 (7 U.S.C. 1622g), [$1,608,000;] $1,802,000: Provided, That this appropriation shall be made available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

WORLD AGRICULTURAL OUTLOOK BOARD

Appropriations Act, 1987	$1,608,000
Budget Estimate, 1988	1,802,000
Increase in Appropriation	+194,000

Adjustments in 1987:		
Appropriation Act, 1987	$1,608,000	
Transfer from other accounts for increased pay and retirement costs	+51,000 a/	
Adjusted base for 1987		1,659,000
Budget Estimate, 1988		1,802,000
Increase over adjusted 1987		+143,000

a/ Includes an increase of $30,000 for pay costs and an increase of $21,000 for Federal Employees Retirement System (FERS) costs.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Support of Integrated Economic/Meteorological Forecasting Systems	$42,000	- -	$72,000	$114,000
All Other	1,617,000	$71,000	- -	1,688,000
Total Available	1,659,000	+71,000 a/	+72,000	1,802,000

a/ Includes an increase of $12,000 for pay increases effective in FY 1987 and $59,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted apprpriation)

Project	1986 Actual Amount	1986 Actual Staff-Years	1987 Estimated Amount	1987 Estimated Staff-Years	Increase	1988 Estimated Amount	1988 Estimated Staff-Years
1. Commodity and Aggregate Agricultural and Food Outlook and Situation	$1,575,398	26	$1,659,000	30	+$143,000	$1,802,000	30
Unobligated balance	22,602	- -	- -	- -	- -	- -	- -
Total, available or estimate	1,598,000	26	1,659,000	30	+143,000	1,802,000	30
Transfer from another USDA agency	- -	- -	-51,000	- -			
Total, appropriation	1,598,000	26	1,608,000	30			

EXPLANATION OF PROGRAM

The World Agricultural Outlook Board (WAOB) coordinates and reviews for clearance all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the U.S. Department of Agriculture. The WAOB provides a focal point for the Nation's economic intelligence relative to domestic and international food and agriculture, with two primary objectives: improving the consistency, objectivity, and reliability of outlook and situation material being disseminated to the public; and integrating and coordinating USDA domestic and international economic information assistance. In a cooperative effort with the National Oceanic and Atmospheric Administration, the WAOB operates the Joint Agricultural Weather Facility which provides a daily review of significant weather developments around the world and their implications for agriculture. The WAOB's functions include market surveillance; coordination of assessments of international and domestic agricultural developments; weather, climate and remote sensing coordination; and forecasting techniques and information dissemination.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $143,000 as follows:

(a) An increase of $12,000 to annualize 1987 pay costs and an increase of $59,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) An increase of $72,000 for support of integrated economic/meteorological forecasting systems.

Need for Change. Funding is needed to strengthen the Board's agricultural meteorological expertise, maintain the reliability of its data processing equipment for reports prepared in lockup and to analyze and support the data base which underpins crop yield assessments prepared by the Board. These funds would upgrade staff analytical capabilities, minimize the potential for computer failure during lockup and assure timely release of the market sensitive World Agricultural Supply and Demand report.

Nature of Change. More highly skilled resources are needed to efficiently utilize and maximize benefits from the expanded and near real time data base which the Board has assembled with past funding. Special emphasis will be placed on upgrading the Board's analytical capability with respect to Europe and the USSR, two areas in which efforts are needed to substantially improve crop production forecasts.

This increase would also enable USDA to fulfill its responsibility in a cooperative effort with NOAA to develop improved National Agricultural Weather Services as outlined in the Food Security Act of 1985 and to contribute to the National Academy of Science for research in support of the National Climate Program.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Purpose Statement

The Office of International Cooperation and Development (OICD) was established by Secretary's Memorandum No. 1947, dated May 1, 1978 with responsibility for technical assistance, international training and development programs, coordination of international organization affairs and scientific exchanges. These functions were further expanded by Secretary's Memorandum No. 1988, dated October 26, 1979, which provided authority for international cooperative research. In August, 1986, OICD was also provided authority to disseminate information to the U.S. private sector on foreign market and investment opportunities.

The mission of OICD is to promote U.S. agriculture and to advance the agriculture of developing countries as parts of a complementary global agricultural system capable of providing ample food and fiber for all people. To accomplish this mission, OICD applies USDA policies and U.S. agricultural perspectives in its programs of international agricultural cooperation and development, and in its work with foreign countries, international organizations, U.S. universities and other institutions, agencies of the U.S. Government, and the U.S. private sector.

OICD's program objectives are:

(1) to insure that American agricultural interests related to global food security and international agricultural development are considered in the policy processes of the U.S. Government and international organizations;

(2) to provide efficient and creative use of resources available in USDA, the universities, agribusiness and international organizations, in the implementation of international agricultural development and cooperative programs;

(3) to assure that U.S. commodity groups, producers and agribusiness benefit from research and other activities that may result from cooperative agreements with other countries;

(4) to initiate cooperative efforts with other countries and international organizations that lead to the sound management of natural resources;

(5) to improve agricultural production and related capabilities of the developing countries by enlisting the resources of government, universities and agribusiness in technical assistance, training and scientific cooperation programs.

As of September 30, 1986, there were 192 permanent full-time employees (169 in headquarters and 23 on resident assignment overseas) and 37 other (23 in headquarter and 14 in field locations).

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Available Funds And Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses	$5,152,000	58	$5,149,000	55	$3,816,000	55
Scientific Activities Overseas (Foreign Currency Research)	2,854,000	5	2,500,000	5	- -	0
Total, Agricultural Appropriations	8,006,000	63	7,649,000	60	3,816,000	55
Other Federal Funds:						
Agency for International Development for training, subsistence, and tuition of foreign nationals and technical assistance and analyses to aid foreign development	36,893,020	128	38,302,000	129	38,302,000	130
Non-Federal Funds:						
Miscellaneous contributed funds for USDA development assistance and international research projects from Spain, Saudi Arabia and other developing countries	3,800,062	20	5,172,000	16	5,188,000	16
Total, Office of International Cooperation & Development..	48,699,082	211	51,123,000	205	47,306,000	201

Full-Time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	191	189	185
Non-ceiling	20	16	16
Total	211	205	201

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	1	--	1	1	--	1	1	--	1
ES-5	1	--	1	1	--	1	1	--	1
ES	1	--	1	1	--	1	1	--	1
GS/GM-15	9	1	10	9	1	10	9	1	10
GS/GM-14	34	--	34	37	--	37	37	--	37
GS/GM-13	34	--	34	27	--	27	27	--	27
GS-12	25	--	25	27	--	27	27	--	27
GS-11	10	--	10	11	--	11	11	--	11
GS-9	12	--	12	12	--	12	12	--	12
GS-8	10	--	10	7	--	7	7	--	7
GS-7	28	--	28	28	--	28	28	--	28
GS-6	19	--	19	17	--	17	17	--	17
GS-5	15	--	15	17	--	17	14	--	14
GS-4	6	--	6	5	--	5	5	--	5
GS-3	1	--	1	1	--	1	1	--	1
GS-2	--	--	--	--	--	--	--	--	--
Other Graded Positions	--	24	24	--	19	19	--	19	19
Total Permanent Positions.....	206	25	231	201	20	221	198	20	218
Staff-Years:									
Ceiling.....	174	17	191	174	15	189	170	15	185
Non-Ceiling....	8	12	20	5	11	16	5	11	16
Total	182	29	211	179	26	205	175	26	201

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$1,895,256	$1,876,250	$1,876,250
Field	99,750	98,750	63,750
11 Total personnel compensation	1,995,006	1,975,000	1,940,000
12 Personnel Benefits	237,397	389,000	706,000
Total Pers. Comp & Benefits	2,232,403	2,364,000	2,646,000
Other Objects:			
21 Travel	744,201	625,000	90,000
22 Transportation of things	42,413	40,000	4,000
23.2 Rental payments to others	6,570	10,000	10,000
23.3 Communications, util. & other rent	132,365	120,000	50,000
24 Printing and reproduction	39,021	40,000	6,000
25 Other services	2,567,262	2,548,000	949,000
26 Supplies and materials	37,602	30,000	15,000
31 Equipment	93,715	40,000	30,000
41 Research Grants	4,778,283	1,832,000	16,000
Total other objects	8,441,432	5,285,000	1,170,000
Total direct obligations	10,673,835	7,649,000	3,816,000
Position Data:			
Average Salary, ES positions	$68,728	$74,328	$74,328
Average Salary, GS positions	$23,325	$24,025	$24,025
Average Grade, GS positions	8.6	8.7	8.7

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses:

For necessary expenses of the Office of International Cooperation and Development to coordinate, plan, and direct activities involving international development, technical assistance and training, and international scientific and technical cooperation in the Department of Agriculture, including those authorized by the Food and Agriculture Act of 1977 (7 U.S.C. 3291),[$5,035,000] $3,816,000; and the Office may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs of the International Development Cooperation Administration (22 U.S.C. 2392). (7 U.S.C. 427, 450a, 450b, 1624, 1709, 1727, 1736, 1761, 2201 2202.)

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

Appropriation Act, 1987	$5,035,000
Budget Estimate, 1988	3,816,000
Decrease in Appropriation	-1,219,000

Adjustments in 1987		
Appropriations Act, 1987	$5,035,000	
Retirement Costs	+ 114,000 a/	
Adjusted base for 1987		5,149,000
Budget estimate, Current Law, 1988		3,816,000
Decrease over adjusted 1987		-1,333,000

a/ An increase of $114,000 for Federal Employee Retirement System (FERS)

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Scientific Exchanges	$1,323,000	$167,000	- 0 -	$1,490,000
Administration of International Research	1,386,000	196,000	-$136,000	1,446,000
USDA liaison with international organizations	450,000	130,000	- 0 -	580,000
Development,Planning and Analysis	498,000	18,000	-216,000	300,000
Middle Income Training	1,492,000	- 0 -	-1,492,000	- 0 -
Total Available	5,149,000	511,000 b/	-1,844,000	3,816,000

b/ An increase of $54,000 for pay increases effective in FY 1987 and $457,000 for increased retirement costs.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff Years	1987 Estimated Amount	1987 Estimated Staff Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff Years
1. International Scientific & Technical Cooperation:							
(a) Scientific exchanges	$1,323,627	17	$1,323,000	17	+$167,000(1)	$1,490,000	18
(b) Administration of International Research	1,522,495	23	1,386,000	21	+60,000(2)	1,446,000	21
(c) USDA liaison with international organizations	448,505	13	450,000	13	+130,000(3)	580,000	14
Total, international scientific & technical cooperation	3,294,627	53	3,159,000	51	+357,000	3,516,000	53

Project	1986 Actual Amount	1986 Actual Staff Years	1987 Estimated Amount	1987 Estimated Staff Years	Increase of Decrease	1988 Estimated Amount	1988 Estimated Staff Years
2. International agricultural development:							
(a) Development Planning & Analysis	$362,373	2	$498,000	2	-$198,000(4)	$300,000	2
(b) Middle Income Country Training.	1,492,000	3	1,492,000	2	-1,492,000(5)	--	--
Total, International Agricultural development	1,854,373	5	1,990,000	4	-1,690,000	300,000	2
Unobligated balance..	3,000	-	--	--	--	--	
Total, available or estimate.....	5,152,000	58	5,149,000	55	-1,333,000	3,816,000	55
Proposed Supplemental for FERS.....	--		-114,000				
Total, appropriation	5,152,000	58	5,035,000				

EXPLANATION OF PROGRAM

The appropriation for the Office of International Cooperation and Development (OICD) is used to develop, implement and evaluate USDA's policies and programs related to agricultural cooperation and development throughout the world. OICD's responsibilities include activities conducted by the Scientific and Technical Exchange Division, the International Research Division, the International Organization Affairs Division, and Development Planning and Analysis activities.

The Scientific and Technical Exchange Division directs USDA's scientific and technical exchange programs with foreign governments, research institutions and scientists, as authorized by Section 1436 of the Agriculture and Food Act of 1981. The primary objective of the exchanges is to strengthen the role of science and technology in the ongoing effort to stabilize world food supplies and to increase the efficiency with which world resources are utilized. The Division coordinates activities developed under existing and new bilateral agreements with foreign countries on behalf of USDA and provides the necessary administrative support. This program represents an innovative, cost-sharing approach to the exchange of scientific and technical information useful to the U.S. agricultural community and to foreign countries.

The International Research Division coordinates the Department's international agricultural research activities carried out in cooperation with various USDA agencies, U.S. colleges of agriculture and foreign research institutions. These collaborative research efforts yield valuable information which results in better protection of U.S. agriculture from foreign pests and diseases and increases domestic agricultural productivity. At the same time, the application of new information reduces the threat of hunger and malnutrition overseas.

Research projects are conducted under a variety of binational agreements and funding mechanisms. As authorized by Section 104(b)(1) and 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended, OICD administers the Foreign Currency Research Program through which foreign scientists conduct research of direct benefit to U.S. agriculture using U.S.-owned foreign currencies. It is responsible for the administration and coordination of research programs under the Treaty of Friendship and Cooperation with Spain and the research activities supported by the U.S.-Israel Binational Agriculture Research and Development Fund (BARD). Under Section 1436 of the Agriculture and Food Act of 1981, OICD fosters increased participation of U.S. land-grant colleges in agricultural research activities abroad.

The International Organization Affairs Division coordinates USDA's and the U.S. Government's participation in approximately 30 international organizations concerned with food, agriculture and rural development. The Division represents USDA in the organization's policy and program planning, advances U.S. interests and protects U.S. agriculture. In addition, the Divison organizes U.S. delegations to international conferences on agriculture and arranges the placement of approximately 60 agriculturists each year on short and long-term assignments with international organizations.

Development Planning and Analysis activities involve the analysis of agricultural policy issues as they relate to USDA involvement in agricultural cooperation and development programs. This includes the formulation, review, and evaluation of P.L. 480 Title I/III self-help and Food for Development proposals, the coordination of the International Science and Education Council's involvement in international development efforts, and the coordination of the President's Cancun and Caribbean Basin Initiatives. In addition, the agriculture Information Center provides a central point of contact for responding to inquiries from the U.S. private sector and developing countries on trade and investment opportunities.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $167,000 for Scientific Exchanges.
($1,323,000 available in FY 1987)

An increase of $18,500 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $148,500 to fund increased costs associated with the Federal Employees Retirement System.

(2) A net increase of $60,000 for the Administration of International Research.

(a) An increase of $21,600 to annualize pay costs and to restore pay costs absorbed in 1987 and an increase of $ 174,400 to fund increased costs associated with the Federal Employees Retirement System.

(b) A decrease of $136,000 for the Administration of International Research.

Need for Change. The International Research Division (IRD) administers and coordinates international agricultural research and promotes scientific cooperation amoung USDA and Federal agencies, U.S. colleges and universities, and foreign research institutions. These grants run three to five years. This program will be reduced in fiscal year 1988 but is sufficient to provide essential service.

Nature of Change. Fewer new grants will be initiated under the Binational Collaborative Research Program.

(3) An increase of $130,000 for USDA liaison with international organizations. ($450,000 available in FY 1987)

An increase of $14,500 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $115,500 to fund increased costs associated with the Federal Employees Retirement System.

(4) A net decrease of $198,000 for the International Agriculture and Development. ($498,000 available in FY 1987)

(a) An increase of $2,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $16,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) A decrease of $216,000 for Development Planning and Analysis.

Need for Change. The Agriculture Information Center is managed by the Private Sector Relations Staff. The Center was established in FY 1986 to disseminate agriculture information oriented to the private sector for their use in expanding foreign markets and investment opportunities. USDA/OICD participation in the International Science and Education Council fosters communications, coordinates, and acts as a forum between the USDA and the universities regarding international activities associated with agriculture. This decrease is made in order to comply with deficit reduction targets as established by the Balanced Budget and Emergency Deficit Control Act of 1985.

Nature of Change The Information Center would function at a reduced level in 1988 and ISEC participation would be reduced.

(5) A decrease of $1,492,000 for the Middle Income Country Training Program. ($1,492,000 available in FY 1987)

Need for Change. $1,492,000 was appropriated in FY 1987 to provide training to participants from selected Middle Income Countries. These funds, while committed in FY 1987, will be expended over the approximate 2 1/2 year life of the program and are sufficient to enable present enrollees to complete their programs.

Nature of Changes. Approximately 180 participants selected in FY 1987 will receive short term technical and/or long term academic training over a 2 1/2 year period. No new participants will be selected for training in FY 1988.

Office of International Cooperation and Development
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

	1986		1987		1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia...	5,152,000	55	5,149,000	52	3,816,000	49
Total Available or Estimate	5,152,000	55	5,149,000	52	3,816,000	49

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets).

[Scientific Activities Overseas (Foreign Currency Research Program)]

[For payments in foreign currencies owed to or owned by the United States for market development research and authorized by section 104(b)(1) and for agricultural and forestry research and other functions related thereto authorized by section 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1704 (b)(1), (3), $2,500,000: Provided, That this appropriation shall be available, in addition to other appropriations for these purposes, for payments in the foregoing currencies: Provided further, That funds appropriated herein shall be used for payments in such foreign currencies as the Department determines are needed and can be used most effectively to carry out the purposes of this paragraph: Provided further, That not to exceed $25,000 of this appropriation shall be available for payments in foreign currencies for expenses of employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), as amended by 5 U.S.C. 3109.]

This change deletes the appropriation language for the Scientific Activities Overseas - Foreign Currency Research Program. Research projects already underway will continue until completion.

OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT

SCIENTIFIC ACTIVITIES OVERSEAS

Appropriation Act, 1987	$2,500,000
Budget Estimate, 1988	--
Decrease in Appropriation	- 2,500,000

SUMMARY OF INCREASES AND DECREASES

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Market Development Research	$300,000	-$300,000	--
Agricultural and Forestry Research	1,700,000	-1,700,000	--
Translation and Dissemination of Scientific Publications	500,000	-500,000	--
Total Available	2,500,000	-2,500,000	--

PROJECT STATEMENT
(on basis of appropriation)

	1986 Actual		1987 Estimated			1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Market development research, Sec. 104(b)(1)	$300,000	2	$300,000	2	-$300,000	--	--
2. Agricultural and forestry research, Sec. 104(b)(3)	2,054,000	3	1,700,000	3	-1,700,000	--	--
3. Translation and dissemination of scientific publications, Sec.104(b)(3)	500,000	--	500,000	--	-500,000	--	--
Total,appropriation	2,854,000	5	2,500,000	5	-2,500,000	--	--

The following statement reflects carryover into succeeding years of actual or estimated prior year balances and shows total actual or planned obligations.

PROJECT STATEMENT
(on basis of available funds)

	1986 Actual		1987 Estimated			1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Market development research, Sec. 104(b)(1)	$300,000	2	$300,000	2	-$300,000	--	--
2. Agricultural and forestry research, Sec. 104(b)(3)	4,722,114	3	1,700,000	3	-1,700,000	--	
3. Translation and dissemination of scientific publications, Sec.104(b)(3)	500,000	--	500,000	--	-500,000	--	--
Total, Obligations	5,522,114	5	2,500,000	5	-2,500,000	--	--
Unobligated balance, start of year	-7,034,274	--	-4,366,160	--	-4,366,160	--	--
Unobligated balance, end of year	4,366,160	--	4,366,160	--	4,366,160	--	--
Total available or estimate	2,854,000	5	2,500,000	5	-2,500,000	--	--

EXPLANATION OF PROGRAM

As authorized by Sections 104(b)(1) and 104(b)(3) of the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended, USDA uses foreign currencies which the Treasury Department determines to be excess to U.S. Government needs to support agricultural and forestry research on problems of mutual interest to the United States and participating foreign countries. OICD represents all USDA agencies in this activity. Since the program's inception in 1958, over 2,000 projects valued at approximately $150 million equivalent in foreign currency have been negotiated in 33 countries worldwide. The appropriation for Scientific Activities Overseas is allotted as intergovernmental fund transfers when grants are obligated for cooperative research in foreign countries.

Research projects conducted abroad through grants negotiated with foreign research institutions and organizations are selected based on their relevance to priority U.S. agricultural concerns, such as preventing the incursion of animal diseases and exotic insects and developing plants that are drought tolerant, disease-resistant and more productive. Cooperative research benefits U.S. agriculture by developing markets for U.S. agricultural products and equipment, adding to knowledge of our environment, and cutting the cost of valuable research. It also provides access to unique agricultural ecosystems in order to study insects, weeds and diseases which have entered the United States and cause severe losses due to lack of biological control.

JUSTIFICATION OF INCREASES AND DECREASES

(1) No appropriation is requested for FY 1988. ($2,500,000 available in FY 1987).

Need for Change. The Foreign Currency Research program (FCR) has used U.S. owned foreign currencies to fund research abroad since 1958. In recent years, the types of currencies determined to be in excess by the Department of Treasury has declined and thus the availability of currencies for this program has diminished. In several cases, these programs have moved to alternate funding arrangements. For example, the program in India has shifted to an endowment, the U.S. India Fund (USIF), in fiscal year 1986.

Nature of Change. The FCR program will be phased out over approximately a four year period. FCR grants average five years in length with the entire amount obligated in the year the grant is signed. Existing grants will continue to be serviced until liquidated.

GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1985 and Estimated 1986 and 1987

	1986		1987		1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Overseas	$5,522,114	5	$2,500,000	5	--	--
Total, Available or Estimate	5,522,114	5	2,500,000	5	--	--

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established on March 10, 1953 by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690 approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service.

The agency performs the following kinds of service functions:

It maintains a worldwide agricultural intelligence and reporting service to provide U.S. farmers and traders with information on world agricultural production and trade that they can use to adjust to changes in world demand for U.S. agricultural products. This is done through a continuous program of reporting by 76 posts located throughout the world covering some 108 countries. Reporting includes information and/or data on foreign government policies, analysis of supply and demand conditions, commercial trade relationships and market opportunities. Advanced computer and telecommunications technology is used to improve and speed the flow of information between the posts and Washington.

The Foreign Agricultural Service analyzes agricultural information essential to the assessment of foreign supply and demand conditions in order to provide estimates of the current situation and to forecast the export potential for specific U.S. agricultural commodities. Published economic data about commodities are combined with attache reports and subjected to analysis through advanced econometric techniques to generate these estimates.

In addition, the Service uses advanced techniques for identifying, delineating and assessing the impact of events which may affect the condition and expected production of foreign crops of economic importance to the United States. The crop condition activity relies heavily on computer aided analysis of satellite, meteorological, agricultural and related data.

The Service develops foreign markets for U.S. farm products through effective market expansion activities. It provides services to the U.S. and foreign agricultural trade sectors that are necessary to establish, build and maintain overseas markets for U.S. agricultural products. The Agricultural Trade Act of 1978 includes authority to establish up to 25 Agricultural Trade Offices. Currently fourteen such offices are in operation at key foreign trading centers to assist U.S. exporters, trade groups and state export marketing officials in trade promotion.

The Service initiates, directs and coordinates the Department's formulation of trade policies and programs with the goal of maintaining and expanding world markets for U.S. agricultural products. It monitors international compliance with bilateral and multilateral trade agreements. It identifies restrictive tariff and trade practices which act as barriers to the import of U.S. agricultural commodities, then supports negotiations to remove them. It acts to counter and eliminate unfair trade practices of other countries that hinder U.S. agricultural exports to third markets.

Headquarters of the Service is in Washington, D.C. Work of the Service is also carried out in 76 posts around the world. As of September 30, 1986, there were 785 permanent full-time employees, 517 in headquarters and 268 in field locations, and 18 other, 14 in headquarters and 4 in field locations.

FOREIGN AGRICULTURAL SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Foreign Agricultural Service	$79,475,000	704	$82,283,000	690	$85,649,000	690
Obligations under other USDA appropriations:						
Office of International Cooperation and Development for remote sensing	330,005	--	--	--	--	--
Agricultural Marketing Service for Cotton Research	12,312	--	12,000	--	12,000	--
Agri. Stabilization and Conservation Service for Landsat Data and support of export programs	2,271,175	--	2,180,000	--	2,180,000	--
Animal and Plant Health Inspection Service for Equipment	46,862	--	--	--	--	--
Soil Conservation Service for Satellite Data	4,845	--	--	--	--	--
Departmental Administration for Advisory Committees	121,465	--	120,000	--	120,000	--
Transfer from Suspense Account	26,478	--	--	--	--	--
Total, Other USDA Appropriations	2,813,142	--	2,312,000	--	2,312,000	--
Total, Agricultural Appropriations	82,288,142	704	84,595,000	690	87,961,000	690
Other Federal Funds:						
Executive Office of the President, Office of the U.S. Trade Representative detail	10,277	1	80,000	2	80,000	2

Continued

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Non-Federal Funds:						
Dairy Import Licenses	235,248	--	235,000	--	235,000	--
User Fees for Attache Reports	225,364	--	225,000	--	225,000	--
User Fees for AIMS Trade Leads	59,411	--	59,000	--	59,000	--
User Fees for Computer Time and Files	2,310	--	2,000	--	2,000	--
Total, Foreign Agricultural Service	$82,820,752	705	$85,196,000	692	$88,562,000	692

Full-Time Equivalent Staff Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	697	684	684
Non-ceiling	8	8	8
Total	705	692	692

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-6	2	--	2	2	--	2	2	--	2
ES-5	1	--	1	1	--	1	1	--	1
ES-4	2	--	2	2	--	2	2	--	2
ES-3	1	--	1	1	--	1	1	--	1
GS/GM-15	23	--	23	23	--	23	23	--	23
GS/GM-14	43	--	43	43	--	43	43	--	43
GS/GM-13	53	--	53	53	--	53	53	--	53
GS-12	42	--	42	42	--	42	42	--	42
GS-11	40	--	40	40	--	40	40	--	40
GS-10	1	--	1	1	--	1	1	--	1
GS-9	34	--	34	34	--	34	34	--	34
GS-8	12	--	12	12	--	12	12	--	12
GS-7	56	--	56	56	--	56	56	--	56
GS-6	37	--	37	37	--	37	37	--	37
GS-5	16	--	16	16	--	16	16	--	16
GS-4	13	--	13	13	--	13	13	--	13
GS-3	6	--	6	6	--	6	6	--	6
GS-2	5	--	5	5	--	5	5	--	5
Other Graded Positions	43	123	166	43	123	166	43	123	166
Ungraded Positions.	4	145	149	4	145	149	4	145	149

FOREIGN AGRICULTURAL SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

continued

	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
Total Permanent Positions	434	268	702	434	268	702	434	268	702
Staff Years:									
Ceiling	431	266	697	418	266	684	418	266	684
Non-Ceiling	8	0	8	8	0	8	8	0	8
TOTAL	439	266	705	426	266	692	426	266	692

FOREIGN AGRICULTURAL SERVICE

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$15,109,665	$15,620,000	$15,633,000
Field	9,204,269	9,696,000	9,745,000
11 Total personnel compensation	24,313,934	25,316,000	25,378,000
12 Personnel Benefits	3,372,301	4,018,000	5,534,000
13 Benefits for former personnel	60,880	113,000	113,000
Total Pers. Comp. & Benefits	27,747,115	29,447,000	31,025,000
Other Objects:			
21 Travel	2,171,571	2,356,000	2,360,000
22 Transportation of things	930,534	829,000	830,000
23 Communications, utilities and other rents	4,914,332	5,398,000	5,408,000
24 Printing and reproduction	491,506	569,000	574,000
25 Other services	41,184,142	42,043,000	43,804,000
26 Supplies and materials...	749,697	732,000	735,000
31 Equipment	1,232,735	899,000	903,000
42 Insurance claims and indemnities	2,750	10,000	10,000
Total other objects	51,677,267	52,836,000	54,624,000
Total direct obligations.	$79,424,382	$82,283,000	$85,649,000
Position Data:			
Average Salary, ES positions	$70,500	$70,500	$70,500
Average Salary, FO positions	$49,672	$51,162	$51,162
Average Salary, GM/GS positions	$30,467	$31,381	$31,381
Average Grade, GM/GS positions	9.9	9.9	9.9

FOREIGN AGRICULTURAL SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Foreign Agricultural Service:

For necessary expenses of the Foreign Agricultural Service, including carrying out title VI of the Agricultural Act of 1954, as amended (7 U.S.C. 1761-1768), market development activities abroad, and for enabling the Secretary to coordinate and integrate activities of the Department in connection with foreign agricultural work, including not to exceed $110,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), [$83,547,000] $85,649,000: Provided, That not less than $255,000 of the funds contained in this appropriation shall be available to obtain statistics and related facts on foreign production and full and complete information on methods used by other countries to move farm commodities in world trade on a competitive basis.

FOREIGN AGRICULTURAL SERVICE

Appropriation Act, 1987		$81,109,000
Budget Estimate, 1988		85,649,000
Increase in Appropriation		+ 4,540,000
Adjustments in 1987		
Appropriations Act, 1987	$81,109,000	
Pay costs and retirement costs	1,174,000 a/	
Adjusted base for 1987		82,283,000
Budget Estimate, 1988		85,649,000
Increase over adjusted 1987		+ 3,366,000

a/ Includes an increase of $567,000 for pay increases and $607,000 for retirement costs.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Foreign Agricultural Affairs	$22,045,000	+ $678,000	+ $1,192,000	$23,915,000
Foreign Market Information and Access	12,158,000	+ 600,000	--	12,758,000
Foreign Market Development	48,080,000	462,000	+ 434,000	48,976,000
Total Available	82,283,000	+ 1,740,000 b/	+ 1,626,000	85,649,000

b/ Includes an increase of $234,000 for pay increases effective in FY 1987 and $1,506,000 increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff Years	1987 Estimated Amount	1987 Estimated Staff Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff Years
1. Foreign Agricultural Affairs	$22,241,863	309	$22,045,000	302	+$1,870,000(1)	$23,915,000	302
2. Foreign Market Information and Access	11,210,090	215	12,158,000	211	+ 600,000(2)	12,758,000	211
3. Foreign Market Development	45,972,429	180	48,080,000	177	+ 896,000(3)	48,976,000	177
Unobligated balance	50,618		--		--	--	
Total available or estimate	79,475,000	704	82,283,000	690	+ 3,366,000	85,649,000	690
Proposed Supplemental for pay costs	--	--	- 567,000				
Proposed Supplemental for Federal Employee Retirement System Costs	--	--	- 607,000				
Total, appropriation	79,475,000	704	81,109,000				

EXPLANATION OF PROGRAM

The Foreign Agricultural Service appropriation funds the activities authorized by the Agricultural Act of 1954 (P.L. 690), as amended, and the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), as amended. The activities carried out are as follows:

FOREIGN AGRICULTURAL AFFAIRS - This program area conducts activities contributing to five major objectives. The objectives and their respective workload and achievement indices are as follows:

1. Collecting, interpreting and analyzing marketing, economic and trade information from foreign areas essential to the administration of U.S. foreign agricultural policies and programs; this information is disseminated to farmers for use in planning and marketing decisions. Attaches and counselors submit approximately 4,000 reports annually on production, marketing, economic and trade information.

2. Providing guidance and field supervision in friendly countries with developing markets and implementing related projects. Annually, attaches and counselors provide over 3,000 trade leads and write more than 50,000 letters responding to inquiries regarding U.S. and host country agriculture.

3. Representing global U.S. agricultural trade policy interests, particularly emphasizing obtaining improved access for U.S. farm exports. An estimated 1,100 special trade access communications are sent each year containing direct support for the U.S. export trade.

4. Contributing mission support including guidance and assistance to agricultural development programs in less-developed friendly countries. As members of Embassy country teams, attaches and counselors provide technical guidance on U.S. agricultural developments.

5. Providing representation at international meetings, assistance to U.S. delegates attending international agricultural fora, and service to other USDA agency programs.

FOREIGN MARKET INFORMATION AND ACCESS - This activity consists of three program areas--international agricultural statistics, commodity programs, and international trade policy. These functions, their related objectives, and their respective workload and achievement indices are discussed below.

The program areas prepare and disseminate approximately 130 commodity circulars covering over 100 commodities, 52 issues of the Weekly Roundup of World Production and Trade plus 12 supplements, 12 World Crop Production reports, 4 issues of the Outlook for U.S. Agricultural Exports published jointly with the Economic Research Service, and makes a major contribution to the USDA's 12 World Agricultural Supply and Demand Estimates reports. In addition to published documents, numerous current information reports and ad hoc analyses are prepared for internal use by the Administrator and other high level officials. These reports include the monthly Highlights of U.S. Agricultural Trade and daily/weekly commodity Price and Key Developments reports. FAS also prepares a new series of International Marketing Profiles designed to provide exporters with detailed commodity-specific or country specific export information.

1. International Agricultural Statistics - This program area conducts activities contributing to six major objectives to support the development and expansion of foreign agricultural markets. The objectives addressed and their workload and achievement indices are as follows:

a. Providing American farmers, traders, agribusiness leaders, and policy makers with timely estimates and forecasts of world agricultural production. In addition to providing primary input to the commodity program areas and to the monthly World Crop Production report, this unit publicly releases in excess of 500 current production developments via print media and electronic dissemination annually.

b. Providing analysts and counselors/attaches with current information on the existence, extent, and probable impact of weather-related events on foreign crop conditions.

c. Improving the quality and timeliness of agricultural counselor/attaches reporting and exchanging of information between Washington-based analysts and overseas counselors/attaches and substantially increasing the timeliness of information to the U.S. trade using the Global Economic Data Exchange System.

d. Providing American farmers, traders, agribusiness leaders, and policy makers with information on U.S. and foreign trade, economic indicators, and tariff and other restrictions affecting trade.

e. Monitoring and reporting on exports of selected U.S. agricultural commodities.

f. Providing agency-wide ADP support to enhance the overall FAS mission of expanding agricultural exports.

2. Commodity Programs - This program area conducts activities contributing to four major objectives. The objectives addressed and, where feasible, their respective workload and achievement indices are as follows:

a. Providing American farmers, traders, and agribusiness leaders with timely and accurate information on world supply and demand of U.S. agricultural products. Data analyses of factors such as trade potential, prices, supply, consumption, and overall demand are conducted by commodity specialists. The impact these factors have upon U.S. agricultural exports and market development activities are a particular focus of the commodity programs area. These analyses are distributed on a timely basis to the U.S. agricultural community through FAS circular publications, participation in trade and business conferences and meetings, and U.S. trade organizations.

b. Providing U.S. Government policymakers adequate information with which to make decisions regarding U.S. and international agricultural interests. Advanced economic analyses are conducted to examine the data and produce short-term commodity forecasts, commodity status summaries and market potential guidance on a country and area basis. These data are utilized as key input in the decisionmaking process regarding domestic farm policies, foreign trade negotiations and agreements, and market development programs.

c. Fulfilling U.S. legislative requirements:

(1) Day-to-day administration of the Meat Import Law (P.L. 96-177) in cooperation with the U.S. Customs Service and such other special actions as are necessary.

(2) Import licensing for certain dairy products subject to quotas proclaimed under Authority of Section 22 of the Agricultural Adjustment Act of 1935 and administration of certain aspects of non-licensed dairy quotas.

(3) Administration of quota cheese pricing limitations prescribed in Section 702 of the Trade Agreements Act of 1979 (P.L. 96-39).

(4) Analysis and evaluation of the role of sugar in world trade patterns.

(5) Administration of the Targeted Export Assistance Program prescribed in Section 1124 of the Food Security Act of 1985 (P.L. 99-198.)

d. Providing support and services to an export expansion effort conducted in cooperation with commodity associations, State Departments of Agriculture and private exporters to the benefit of the U.S. agricultural sector. Special studies are made on a country, region, and world basis for assigned commodities to identify market opportunities, to determine the likely impact of competition from other countries, and to strategically plan promotional activities to enhance U.S. agricultural exports. Virtually every U.S. farm product entering world trade is promoted by one of the market development activities supported by commodity programs.

The information contained in these analyses is collected via a comprehensive agricultural attache reporting system, analyzed in a timely manner, and promptly reported to domestic producers, exporters, policymakers, the public and other interested users. Particular emphasis is placed on disseminating current information on foreign market situations and forecasting trends in foreign agricultural supply and demand.

Special studies are made on a country, area, foreign and world basis for assigned commodities to identify market opportunities, and determine the likely impact of competition from other commodities and countries on U.S. exports. Also, economic analyses are made covering weekly reports submitted by exporters showing their shipments to date and outstanding sales.

3. International Trade Policy - This program area conducts activities contributing to the following major objectives:

a. Supporting bilateral representations focused on reducing trade barriers to U.S. agricultural exports and preserving concessions obtained in trade negotiations.

b. Initiating and supporting work activities on trade and commodity issues that arise in international fora such as GATT, OECD, UNCTAD and FAO so as to facilitate U.S. agricultural exports.

c. Administering U.S. agricultural import policies under Section 22 and other domestic legislation in ways which will, consistent with the purposes and requirements of the statutes, minimize the effects of U.S. import restrictions upon FAS efforts to expand U.S. agricultural exports.

d. Participating in development of new U.S. legislation to facilitate U.S. exports or defend U.S. producers against unfair trade practices and harmful competition.

e. Conducting analysis of the forces affecting trade in individual country markets and making such data available to interested U.S. exporters.

f. Providing support to the United States Trade Representative (USTR) in implementing results of trade negotiations and in managing domestic complaint mechanisms.

g. Maintaining a Technical Office to help protect U.S. rights under the Standards Code, providing information on Code benefits, and helping citizens to comment on foreign proposals for new standards-related laws.

FOREIGN MARKET DEVELOPMENT - Provides funding so that industry groups working in concert with FAS, or FAS working alone, may conduct market development activities. The major objectives and applicable achievements are as follows:

1. Enabling U.S. producers and other sectors of the U.S. economy to jointly and systematically develop and expand overseas markets. In 1954, the Foreign Agricultural Service (FAS) was authorized to begin using foreign currencies generated by the Public Law 480 programs to finance overseas market promotion activities for U.S. farm commodities. Since that time, FAS has spent about $409 million to finance the foreign market development program, which has significantly contributed to the increase in U.S. farm exports from $3.1 billion in fiscal year 1955 to an estimated $27 billion in 1986. The program is jointly sponsored with nonprofit private trade and producer associations in this country (U.S. cooperators) who have generated an estimated $774 million in contributions to more than match the $409 million contributed by FAS.

   Currently, FAS participates with 49 cooperators, four state organizations (covering 47 states and 3 territories) and the National Association of State Departments of Agriculture in sponsoring continuous and long-term projects, 13 private industry firms on a contractual basis to promote brand name food items under the Export Incentive Program, and 24 private firms to promote value-added food items under the Value-Added Product Promotion Program, which was instituted in FY 1985. FAS also assists supporting 59 permanently staffed cooperator offices overseas which conduct promotion activities in more than 130 foreign markets.

2. Conducting trade fairs, food exhibits, point-of-purchase activities, sales teams, and providing other assistance designed to link potential buyers with U.S. exporters.

3. FAS has established fifteen Agricultural Trade Offices throughout the world (London, England; Hamburg, West Germany; Singapore; Seoul, Korea; Manama, Bahrain; Caracas, Venezuela; Lagos, Nigeria; Beijing and Guangzhou, the People's Republic of China; Tunis, Tunisia; Jeddah, Saudi Arabia; Algiers, Algeria; Baghdad, Iraq; Istanbul, Turkey; and Tokyo, Japan).

REVIEWS COMMENCED DURING FY 1986

GAO Reviews

Code 022905	Overview of the Dairy Surplus Issue--Policy Options for Congressional Consideration	Alternatives for responding to surplus dairy situation.
Code 483431	Management and Operations of Agricultural Attaches	Review of Foreign Agricultural Affairs and its impact on market development activities.
Code 973208	How Accurate and Useful Are the Forecasts Developed for Agricultural Policy Decisions	Review of methods and methodology of forecasting agricultural production and trade.
Code 089317	Imported Wines: Identifying and Removing Wines Contaminated with Diethylene Glycol	Review of efforts to identify and dispose of contaminated imported wines.

Code 097723	Survey of World Agriculture Production	Survey of world production and trade prospects for U.S. commodities.

OIG Reviews

NY-780-1	Possible Violation of Sugar Reporting	Investigation - program violation. Operation Bittersweet.
50555-1-Hy	ADP Maintenance Agreements Within USDA	Review of cost effectiveness of contracting practices.
9110	A Study of USDA's Handling and Use of Foreign Buyer Complaints on U.S. Grain Exports, and Related Issues	Review of processing procedures for resolving foreign complaints of grain quality.
03099-37-Hy	Survey of Prevailing World Market Prices for Rice	Review of procedures and internal controls.
Te-799-3	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet.
Te-799-4	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet.
Te-799-5	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet.
Te-799-6	Violation of Sugar Re-Export Program	Investigation - Operation Bittersweet.
50665-1-FM	Survey of USDA Computer Software Contracting	Survey of ADP contracting activity.
07099-10-Hy	Survey of Market Development Program	Program survey.
03099-38-Hy	Prevailing World Prices for Cotton	Review of procedures and internal controls.

REVIEWS COMPLETED DURING FY 1986

GAO Reviews

Code 022905	Overview of Dairy Surplus Issue -- Policy Options For Congressional Consideration	Alternatives for responding to surplus dairy situation.
Code 483391	Current Issues in U.S. Participation in the Multilateral Trading System of the GATT	Effectiveness of GATT in resolving trade disputes.
Code 089317	Imported Wines: Identifying and Removing Wines Contaminated With Diethylene Glycol	Review of efforts to identify and dispose of contaminated imported wines.

Code 097714	Grain Exports: Concerns About the Quality of U.S. Grain	Review of grading practices for U.S. grains.

OIG Reviews

50550-8-Y	FAS/ASCS Computer Center	Review of purchase and installation of computer center.
7020-1-Hy	Supervision of Market Development Program	Review of FAS administration of Market Development Program.
03099-38-Hy	Prevailing World Prices for Cotton	Review of procedures and internal controls for identifying world cotton prices.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $1,870,000 for Foreign Agricultural Affairs ($22,045,000 available in 1987) consisting of:

(a) An increase of $92,000 for annualization of fiscal year 1987 pay costs and an increase of $586,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) An increase of $1,192,000 for losses in the overseas value of the dollar.

Need for change. The sharp decline of the dollar against most European currencies and the Japanese yen has increased overseas operating costs of FAS Attache offices in Europe by 25 percent and almost 50 percent in Japan. Additionally, payments to the Department of State for overseas administrative support is expected to increase reflecting both the decline in the dollar and the replacement of foreign nationals with U.S. employees at the U.S. Embassy in Moscow.

Nature of change. The additional funds will be used to offset increases in cost categories paid in foreign currencies such as personnel compensation to foreign nationals, rents, utilities, contracts, supplies, and the increased payment to the Department of State for in-country administrative support.

(2) A net increase of $600,000 for Foreign Market Information and Access ($12,158,000 available in FY 1987) consisting of an increase of $80,000 for annualization of fiscal year 1987 pay costs and an increase of $520,000 to fund increased costs associated with the Federal Employees Retirement System.

(3) A net increase of $896,000 for Foreign Market Development ($48,080,000 available in FY 1987) consisting of:

(a) An increase of $62,000 for annualization of fiscal year 1987 pay costs and an increase of $400,000 to fund increased costs associated with the Federal Employees Retirement System.

(b) An increase of $434,000 for losses in the overseas value of the dollar.

Need for change. The sharp decline of the dollar against most European currencies and the Japanese yen has increased overseas operating costs of Agricultural Trade Offices in Europe by 25 percent and almost 50 percent in Japan. Additionally, payments to the Department of State for overseas administrative support is expected to increase reflecting the decline in the dollar.

Nature of change. The additional funds will be used to offset increases in cost categories paid in foreign currencies such as personnel compensation to foreign nationals, rents, utilities, contracts, supplies, and the increased payment to the Department of State for in-country administrative support.

Foreign Agricultural Service
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia...	$32,492,213	438	$34,478,000	424	$36,560,000	424
Overseas	46,932,169	266	47,805,000	266	49,089,000	266
Total, Available or Estimate	79,424,382	704	82,283,000	690	85,649,000	690

Salaries and Expenses (Special Foreign Currency Program)

NOTE: Programs previously financed by this account are funded by the annual appropriation--Foreign Agricultural Service.

PROJECT STATEMENT

Project	1986	1987 (Estimated)	1988 (Estimated)
Total Obligations	-74,013		
Unobligated Balance Brought Forward (-)	- 143,692	--	--
Unobligated Balance Carried Forward	--	--	--
Unobligated Balance Lapsing	217,705	--	--
Total Appropriation	--	--	--

PASSENGER MOTOR VEHICLE

The 1988 Budget estimates the purchase of ten (10) passenger motor vehicles.

Additional Passenger Motor Vehicles. Two additional passenger motor vehicles will replace light truck-type vehicles which are no longer required due to high operating costs and improved road conditions.

Replacement of Passenger Motor Vehicles. Replacement of eight passenger motor vehicles is proposed. All vehicles proposed for replacement will meet the replacement standards.

The passenger motor vehicles and light trucks of the service are used exclusively by the Agricultural Officers at overseas post. The officer travels extensively throughout the countries assigned, gathering agricultural data. Embassy motor pool vehicles are used when there are sufficient numbers to meet the needs of the entire embassy. This request is being made because at many posts, the motor pools are not large enough to accommodate our requirements.

Age and mileage data for passenger motor vehicles on hand as of September 30, 1986 are as follows:

	Age Data		Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	Lifetime Mileage	Number of Vehicles	Percent of Total
1979-7	1	3.0	80-100	0	0
1980-6	1	3.0	60-80	1	3.0
1981-5	6	18.2	40-60	8	24.2
1982-4	9	27.4	20-40	8	24.2
1983-3	1	3.0	UNDER 20	16	48.6
1984-2	7	21.2	TOTAL	33	100.0
1985-1	7	21.2			
1986	1	3.0			
TOTAL	33	100.0			

PUBLIC LAW 480

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The law also authorizes appropriations to be made to cover costs of such programs. When funds become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual costs, the excess is used to reduce future appropriation requests.

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended:

1. Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms; for convertible foreign currency for use under Sec. 108 of the Act; and furnishing commodities to carry out the Food for Progress Act of 1985 (Titles I and III) (7 U.S.C. 1701-1715, 1727-1727f). Title I of the legislation authorizes financing of sales for convertible foreign currencies and for dollars on credit terms, including commodities exported under Title III Food for Development Programs. Sales for dollars or convertible foreign currencies may be made with foreign governments or U.S. and foreign private trade entities. The legislation provides for credit terms that are as favorable to the United States as the economy of the foreign country will permit, but not less than the terms for development loans made under sections 122(a) and 122(b) of the Foreign Assistance Act of 1961, as amended.

Title I sales may also be financed for convertible foreign currencies to be loaned to financial intermediaries in the recipient countries. These funds would be reloaned to promote private enterprise institutions. Loans repaid by the financial intermediaries may be reloaned for private enterprise investment, used to develop new markets, pay U.S. obligations, or be converted to U.S. dollars.

Title I appropriated funds may also be used under the Food for Progress Act to furnish commodities on credit terms or on a grant basis to assist countries that have a commitment to introduce and expand free enterprise elements in their agricultural economies.

2. Commodities supplied in connection with dispositions abroad (Title II) (7 U.S.C. 1721-1726). Commodities are supplied without cost to developing countries to combat malnutrition, and to meet famine and other emergency requirements. The Corporation pays ocean freight on shipments under this title and may also pay overland transportation costs to a landlocked country, as well as internal distribution costs in emergency situations. Each year, up to $7.5 million of foreign currencies accruing under Title I may be purchased from this appropriation to meet costs of self-help activities (other than personnel and administrative) of cooperating groups.

Available Funds, 1986 Actual and Estimated 1987 and 1988

Item	1986 Actual	1987 Estimated	1988 Estimated
Foreign Assistance Programs (P.L. 480):			
Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities to carry out the Food for Progress Act of 1985 (Titles I and III).....	$862,111,305	$928,927,000	$852,000,000
Commodities supplied in connection with dispositions abroad (Title II).....	672,259,939	534,144,000	535,000,000
Total program level.....	1,534,371,244	1,463,071,000	1,387,000,000
Costs financed from receipts, prior year balances and CCC funds (net).	-291,077,244	-380,000,000	-422,404,000
Total appropriation (P.L. 480).....	1,243,294,000	1,083,071,000	964,596,000

NOTE: The fiscal year 1986 appropriation was adjusted to reflect transfers of $3 million in both program level and appropriation from Title II to Titles I and III, under the authority of the proviso in the 1986 Continuing Resolution. Similarly, the fiscal year 1987 appropriation was adjusted to reflect a transfer of $94.2 million in both program level and appropriation from Title II to Titles I and III, under authority provided in the 1987 Continuing Resolution.

The fiscal year 1986 program level for Title II included $131,930,700 which was financed from the 1985 Title II supplemental and remained available until December 31, 1985.

A general provision in the fiscal year 1986 regular appropriation (P.L. 99-190) reduced the appropriation by .006 or $7,842,000 and the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) reduced the appropriation by an additional $55,854,000.

Obligations incurred in a fiscal year under Public Law 480 consist of Title I sales registrations (based on anticipated export date by September 30) and Title II commodity purchases for which a notice to deliver has been issued for port delivery by September 30, and related transportation and other costs. In order to obtain the amount of costs financed by CCC in the fiscal year, these obligations, which are equivalent to the program level limitation in the appropriation language, are adjusted to include prior year obligations financed in the current fiscal year, and to exclude current year obligations that will not be financed until the following fiscal year. By law, P.L. 480 funds remain available until expended. However, an FY 1985 supplemental appropriation provided $384 million for Title II to be available only until December 31, 1985, and $225 million for an Emergency Reserve for African Famine Relief which lapsed unused on September 30, 1986.

The following table reconciles the program level to program costs financed by CCC:

Reconciliation of Program Level to Program Costs Funded by CCC

Item	1986 Actual	1987 Estimated	1988 Estimated
Titles I/III			
Gross commodity costs	$864,455,427	$832,900,000	$764,600,000
Ocean transportaton	12,714,865	3,000,000	---
Ocean freight differential	108,539,868	109,727,000	102,700,000
Subtotal	985,711,160	945,627,000	867,300,000
Initial payments to exporters	-19,532,837	-16,700,000	-15,300,000
Total program level, current year	966,178,323	928,927,000	852,000,000
Prior year obligations financed	124,620,097	228,687,115	228,687,115
Obligations financed in succeeding year	-228,687,115	-228,687,115	-228,687,115
Total program costs, funded	862,111,305	928,927,000	852,000,000
Title II			
Commodity costs	$440,300,000	338,998,000	340,000,000
Ocean and inland transportation	310,130,700	195,146,000	195,000,000
Total program level, current year	750,980,700	534,144,000	535,000,000
Prior year obligations financed	288,536,667	367,357,428	367,357,428
Obligations financed in succeeding year	-367,357,428	-367,357,428	-367,357,428
Total program costs, funded	672,259,939	534,144,000	535,000,000

PUBLIC LAW 480

These estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Public Law 480

For expenses during the current fiscal year, not otherwise recoverable, and unrecovered prior years' costs, including interest thereon, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691, 1701-1715, 1721-1726, 1727-1727f, 1731-1736g), as follows: (1) financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms pursuant to titles I and III of said Act, or for convertible foreign currency for use under 7 U.S.C. 1708, and for furnishing commodities to carry out the Food for Progress Act of 1985, not more than [$834,727,000] $352,000,000; of which [$454,727,000] $429,596,000 is hereby appropriated and the balance derived from proceeds from sales of foreign currencies and dollar loan repayments, repayments on long-term credit sales and carryover balances, and (2) commodities supplied in connection with dispositions abroad, pursuant to title II of said Act, not more than [$628,344,000] $535,000,000, of which [$628,344,000] $535,000,000 is hereby appropriated: Provided, That not to exceed 15 per centum of the funds made available to carry out any title of this paragraph may be used to carry out any other title of this paragraph.

1 [Sec. 301. Title II of Public Law 99-10 is amended under the heading "Emergency Reserve for African Famine Relief" by taking out "$225,000,000" and inserting in lieu thereof "$525,000,000".]

2 [Sec. 302. Of the funds appropriated under Title II of Public Law 99-10 as amended by this Act, $300,000,000 shall remain available for obligation until September 30, 1987, notwithstanding any other provision of law or this Act.]

The first and second changes delete references to a one-time transfer of $300,000,000 in Title II funds to the Economic Support Fund in fiscal year 1987. The funds were appropriated to the Emergency Reserve for African Relief for Title II and immediately transferred to the Economic Support Fund in accordance with P.L. 99-500 and P.L. 99-591.

PUBLIC LAW 480

	(Titles I and III) Financing the Sale of Agricultural Commodities for Convertible Foreign Currencies and for Dollars on Credit Terms, and Furnishing Commodities for Food for Progress	(Title II) Commodities Supplied in Connection with Dispositions Abroad	Total
Appropriation Act, 1987...	$454,727,000	$628,344,000	$1,083,071,000
Budget Estimate, 1988.....	429,596,000	535,000,000	964,596,000
Decrease in Appropriation..	-25,131,000	-93,344,000	-118,475,000
Adjustments in 1987:			
Appropriation Act, 1987..	454,727,000	628,344,000	1,083,071,000
Transfer from Title II to Titles I/III.....	+94,200,000	-94,200,000	---
Adjusted Base for 1987.....	548,927,000	534,144,000	1,083,071,000
Budget Estimate, 1988.....	429,596,000	535,000,000	964,596,000
Increase or Decrease in Appropriation.....	-119,331,000	+356,000	-118,475,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	$548,927,000	-$119,331,000	$429,596,000
Commodities supplied in connection with dispositions abroad (Title II)..	534,144,000	+356,000	535,000,000
TOTAL AVAILABLE.....	1,083,071,000	-118,475,000	964,596,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
1. Financing the sale of agricultural commodities for convertible foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	$627,976,000	$548,927,000	(1) -$119,331,000	$429,596,000
2. Commodities supplied in connection with dispositions abroad (Title II).	615,318,000	534,144,000	(2) +356,000	535,000,000
Total appropriation.....	1,243,294,000	1,083,071,000	-118,475,000	964,596,000

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
1. Financing the sale of agricultural commodities for foreign currencies and for dollars on credit terms, and furnishing commodities for Food for Progress (Titles I and III).....	$862,111,305	$928,927,000	-$76,927,000	$852,000,000
2. Commodities supplied in connection with dispositions abroad (Title II).	672,259,939	534,144,000	+856,000	535,000,000
Total program level.....	1,534,371,244	1,463,071,000	-76,071,000	1,387,000,000
Adjustments to appropriation:				
Title I:				
Receipts from sale of foreign currencies and loan repayments and repayments on long-term credit sales to finance the program....	-439,046,826	-380,000,000	---	-380,000,000
Unexpended balances (includes balances in the Corporation):				
Funds brought forward	-139,102,210	-344,013,731	---	-344,013,731
Funds carried forward	344,013,731	344,013,731	-42,404,000	301,609,731
Title II:				
Funds brought forward....	-291,805,957	-366,794,728	---	-366,794,728
Funds carried forward....	366,794,728	366,794,728	---	366,794,728
Unobligated balance brought forward.....	-355,930,700	---	---	---
Unobligated balance lapsing.....	225,000,000 a/	---	---	---
Total appropriation.....	1,243,294,000	1,083,071,000	-118,475,000	964,596,000

a/ Includes a $225.0 million supplemental for an Emergency Reserve for African Famine Relief, authority for which expired September 30, 1986.

The preceding project statement reflects estimated program costs on the basis of available funds, including 1985 obligations financed in fiscal year 1986 from available unexpended 1985 balances and 1986 funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities, and similar factors.

The amounts provided in the appropriation for Title II are not fully controlling since the basic law permits the Government to enter into multiyear programs of assistance involving expenditures which must be financed from subsequent appropriations. However, such programs may not exceed the program level authorized in appropriation acts, adjusted for transfers to or from Titles I/III, within amounts specified by the Proviso in the appropriation language. On the other hand, if funds appropriated are in excess of amounts actually used in an actual year, adjusted for any applicable transfers, such amounts are applied against current year estimated costs and reduce the subsequent appropriations requested for the budget year.

EXPLANATION OF PROGRAM

Under Public Law 480, as amended, exports of available agricultural commodities are made to developing countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports, and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that which is needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars, unless the Secretary determines that some part of the supply should be used for urgent humanitarian purposes. No commodities may be made available except upon determination that adequate storage facilities are available in the recipient country at the time of exportation to prevent spoilage or waste and that the distribution will not be a substantial disincentive to the recipient country's domestic production. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

The authorization for agreements to finance sales and programs of assistance under Public Law 480 was extended through December 31, 1990, by Public Law 99-198, enacted December 23, 1985. No agreements to finance sales under Titles I and III or donations under Title II shall be made with North Vietnam unless by an act of Congress authorizing such assistance, enacted after July 1, 1973.

TITLE I

The P.L. 480 appropriation is deposited with the Commodity Credit Corporation. The Corporation then finances all sales made pursuant to agreements concluded under Title I. Sales are made to friendly countries--as defined in section 103(b) of the Act--and do not displace expected commercial sales for cash dollars (sections 103(c) and (n)). No agreements may be made with the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights or other flagrant denial of the right to life, liberty, and personal security unless the use of the commodities themselves or proceeds from their sale will be used for specific projects or programs which the President determines would directly benefit the needy people of that country.

Agreements may not be made under Title I (including credit furnished for Food for Development Programs) in any calendar year which call for an appropriation to reimburse the Corporation in excess of $1.9 billion, plus unused prior years' authorization.

In considering sales negotiations, countries which are unable to produce or purchase commercially adequate food for immediate needs, and which meet the poverty criterion established for International Development Association financing are to receive not less than 75 percent of the food aid commodities allocated and agreed to be delivered in each fiscal year unless the President certifies that such food assistance to other countries is required for humanitarian purposes or the required 75 percent allocation could not be used effectively.

Agreements for sales of agricultural commodities for foreign or local currencies had not been authorized since December 31, 1971, until enactment of the 1985 Farm Bill. In cases where dollar credit sales are not possible, convertible foreign currency credit sales are authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement.

In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, support U.S. foreign policy interests, and encourage economic

development in the developing countries. Agreements are made with the governments of friendly nations, financial institutions acting on behalf of such nations, or with the United States and foreign private trade entities.

Repayments for agricultural commodities sold under Title I may be made, with interest at the minimum rates set by law, either in U.S. dollars on credit terms up to 20 years, with a grace period of up to two years; or in foreign currencies convertible to dollars for up to 40 years, with a grace period of up to ten years. Interest is charged from the date of last delivery in each calendar year. Payments received each year are applied against current costs to reduce the appropriation request.

Under certain conditions, the President is authorized to require payment upon delivery, in dollars or foreign currencies, of amounts needed for payment of U.S. obligations and certain other purposes. Whenever practicable, terms of agreements must require payment at time of delivery of not less than 5 percent of the purchase price in dollars or in currencies convertible to dollars. These initial payments are made to exporters and reduce the commodity costs financed.

Sales agreements may now also be made for local currencies which are to be loaned to financial intermediaries in the recipient countries. Under such agreements, the financial intermediaries would reloan the currencies to promote private enterprise investment. Currency repaid by a financial intermediary may be reloaned to finance additional private enterprise investment, used to develop new markets for U.S. agricultural commodities, used to pay U.S. obligations, or be converted to dollars. Sales agreements for currency loans shall be made at an annual level of not less than ten percent of the total value of all sales made under this title, unless the minimum compliance would significantly reduce the total level of commodities furnished, or if such sales agreements would generate currency in amounts that could not be productively used and absorbed in the country's private sector.

Under the Food for Progress Act of 1985, the Corporation may finance the sale and exportation of agricultural commodities on credit terms, or on a grant basis, to support countries that have commitments to introduce or expand free enterprise elements in their agricultural economies. All commodities furnished are subject to the commodity availability criteria. For commodities furnished on a grant basis, the Corporation may pay, in addition to acquisition costs and ocean transportation, such related commodity and delivery charges as are specified for commodities supplied under Title II.

For most sales agreements under Title I, the Corporation will pay ocean freight charges only to the extent of the differential between U.S.-flag rates and foreign-flag rates when U.S.-flag vessels are required to be used by authority of the Cargo Preference Act. In limited cases, full transportation costs to port of entry or point of entry abroad may be included with the cost of the commodity in the amount financed by CCC to ensure that U.S food aid will reach the most needy recipients. On agreements made under Title III Food for Development, the Corporation may finance freight from U.S. ports to ports of entry or to designated points of entry abroad in the case of landlocked countries.

TITLE III

The estimates for Title I include estimated costs of financing Food for Development Programs under Title III. Commodities may be furnished for periods from one to five years following a Presidential determination of country eligibility and formulation of approved development projects or activities. Unless a Presidential waiver with an accompanying explanation of such action is reported to Congress, agreements entered into under Title III for fiscal year 1986 and succeeding fiscal years shall have an aggregate value of not less than

10 percent of the aggregate value of all agreements entered into under Title I for the corresponding fiscal year.

Proceeds from the sale of Title III commodities are to be disbursed for such purposes as approved in the agreement with each country and the disbursements shall be considered as payments for the purposes of sec. 103(b) of this Act. When commodities are used in development projects, the dollar sales value of such commodities shall be deemed to be a disbursement at the time of use. No other payment shall be required as part of any agreement to finance the sale of agricultural commodities under a Food for Development Program. Construction of food grain storage facilities, expansion of private bank credit in rural areas and strengthening agricultural producer associations are among the projects undertaken with the Title III proceeds.

For the fiscal years 1979 through 1985, the total value of Title III agreements signed with Bangladesh, Bolivia, Egypt, Honduras, Senegal, and Sudan was approximately $857.3 million. In fiscal 1986 new agreements or amendments to existing multi-year agreements were signed with three governments: Bangladesh for $32.0 million, Bolivia for $20.0 million and Haiti for $15.0 million.

Bangladesh completed implementation of several major reforms in fiscal year 1986 which were included in the 1982 Food for Development agreement under which farmers were provided incentives to increase domestic food grain production. These reforms include phasing out certain elements of the food rationing system and using the sales of government-owned stocks of grains to moderate consumer prices.

Haiti has agreed to undertake activities to provide support for the disease monitoring of swine population; strengthen institutional capacity in agricultural statistics and research/extension on farming systems; improve rural credit services; implement soil conservation; increase the productive and commercial capacity for cash crops; and improve and support cereal production.

The Title III program in Bolivia was reactivated in FY 1986 to help stabilize the Bolivian economy which had been crippled by massive inflation and assist the Government to reduce their budget deficit. The Government of Bolivia implemented banking reforms to increase competition among banks and to expand private bank coverage for rural areas; established a nation-wide seed certification program; and undertook a monitoring program to assure that wheat imports under Public Law 480 would not serve as a disincentive to domestic wheat production.

During fiscal years 1987 and 1988, it is expected that a similar number of Title III agreements or amendments will be authorized.

TITLE II

Under Title II, as amended, commodities are supplied to developing areas to combat malnutrition, to meet famine or other urgent relief requirements, provide assistance for needy persons and nonprofit school lunch and preschool feeding programs outside the United States, and carry out the United States' commitment to the World Food Program. Beginning January 1, 1967, the Food for Peace Act of 1966 authorized financing the costs of CCC commodities disposed of through voluntary agencies from this appropriation.

The authorizing legislation requires that a minimum of 1.9 million metric tons (grain equivalent basis) of agricultural commodities be programmed each fiscal year from 1987 through 1990 under Title II. Of that amount, 1.425 million metric tons (grain equivalent basis) are to be distributed for nonemergency programs through voluntary agencies and the World Food Program, unless the President determines and reports to the Congress that such an amount cannot be used effectively or that the quantity is not available.

Commodities requested may be furnished from the Corporation's inventory acquired under price support programs or purchased from private stocks. Commodities furnished from the Corporation's inventory which are acquired under a domestic price support program are valued at a price not greater than the export market price at the time of delivery for purposes of determining the reimbursement due the Corporation.

The Corporation also finances the costs of ocean transportation to ports of entry, or to points of entry other than ports in the case of landlocked countries, or when the use of a point of entry other than port would result in substantial savings in costs or time. The Corporation may also pay transportation costs from designated ports of entry or points of entry abroad to storage and distribution sites, and associated storage and distribution costs for commodities, including prepositioned commodities, made available to meet urgent or extraordinary relief requirements.

Local distribution is usually made by nonprofit voluntary agencies, including foreign voluntary agencies when no United States agency is available, as well as by local governments. To the extent feasible, distribution priority is to be given to those suffering from malnutrition.

Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Beginning in 1986, programs of assistance shall not be undertaken under this title during any fiscal year which call for an appropriation to reimburse the Corporation in excess of $1 billion plus the unused prior year's authorization.

Under the authority of the Food Security Wheat Reserve Act of 1980 (P.L. 96-494), up to 300,000 metric tons of wheat may be released from the reserve for use under Title II to provide urgent humanitarian relief in any country which the President determines has suffered a major disaster, and when normal procurement methods will not provide the necessary assistance in a timely manner. Wheat released may be processed into flour or bulgur before export. Reimbursement to the Corporation for wheat released is to be made from funds appropriated for that purpose at the lower of the actual costs incurred by the Corporation or the export market price of wheat, as determined by the Secretary at the time of release. In fiscal year 1985, the President released 300,000 metric tons of wheat, and commodity requests were processed to provide emergency food assistance to three African nations. The 300,000 metric tons of wheat used has been replenished using existing CCC inventory, but CCC had not been reimbursed as of December 31, 1986.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $119,331,000 for financing the sale of agricultural commodities for convertible foreign currencies, for dollars on credit terms, and furnishing commodities under the Food for Progress Act of 1985 (Titles I and III).

ITEM	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Program:				
Expenses of shipments:				
Commodity cost	$760,095,432	$316,200,000	(a)-$66,900,000	$749,300,000
Ocean transportation	12,446,459	3,000,000	(b) -3,000,000	---
Ocean freight differential (support of U.S. Merchant Marine	89,569,414	109,727,000	(b) -7,027,000	102,700,000
Total expenses of shipments	862,111,305	928,927,000	-76,927,000	852,000,000
Financing:				
Receipts from:				
Sales of foreign currency	-60,350,399	-8,700,000	+8,700,000	---
Repayments on long-term credit	-378,696,427	-371,300,000	-8,700,000	-380,000,000
Subtotal	-439,046,826	-380,000,000	---	-380,000,000
1985 funds used for 1986 costs	-139,102,210			---
1986 funds used for 1987 costs	344,013,731	-344,013,731	+344,013,731	---
1987 funds used for 1988 costs	---	344,013,731	-688,027,462	-344,013,731
1988 funds used for 1989 costs	---	---	+301,609,731	301,609,731
Net financing	-234,135,305	-380,000,000	(c) -42,404,000	-422,404,000
Total available or estimate	627,976,000	548,927,000	-119,331,000	429,596,000

Need for change.

Sales volume changes based on recipient countries' changing requirements and lower per unit commodity prices account for the decrease in the estimated cost of fiscal year 1988 commodity shipments.

Nature of Change.

(a) A decrease of $66,900,000 in commodity costs ($816,200,000 available in 1987). Major changes from 1987 estimates in volume of shipments, in unit prices, and projected commodity costs are as follows:

	Change in Estimated Shipments	Change in Cost of Shipments
	(in thousands)	
Increases:		
Corn (bu)	+6,823	+$13,000
Vegetable products (pound)	+57,320	+10,300
Initial payments	xx	+1,400
Total increases	xx	+24,700
Decreases:		
Wheat and products (bu)	-5,714	-46,700
Milled rice (cwt)	-2,249	-17,900
Upland cotton (bale)	-42	-10,000
Tallow (pound)	-46,297	-7,000
Unallocated reserve (metric tons)	-297	-10,000
Total decreases	xx	-91,600
Net decrease	xx	-66,900

(b) A decrease of $10,027,000 in ocean transportation financing and ocean freight differential ($112,727,000 available in 1987). This reflects an overall lower metric tonnage resulting from the commodity changes shown above. The fiscal year 1987 estimates include $3.0 million for financing full ocean transportation on shipments to Sudan and Somalia. No full ocean transportation financing costs are included in the fiscal year 1988 estimates.

(c) A decrease of $42,404,000 in net financing due to the application of prior year funds and receipts to program costs ($330,000,000 available in 1987). The decrease reflects the use of available funds at the end of fiscal year 1987 and projected long term credit repayments to reduce the fiscal year 1988 appropriation for program costs.

Program costs consist of the export value of commodities shipped, authorized ocean freight differential costs for shipments made in U.S.-flag vessels, and authorized ocean freight transportation.

Following is a breakdown of expenses of shipments by commodity for the fiscal years 1986, 1987, and 1988. (NOTE--Credits (-) shown for initial payments to exporters are authorized by Sec. 103(k) of Title I. These initial payments are made directly to the exporters by the importers. The Corporation does not receive these payments.):

Public Law 480, Titles I and III
Expenses of shipments--Sales for foreign currencies and for dollars on credit terms, 1986-1988:

Commodity	Unit of Measure	1986 Actual		1987 Estimate		1988 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn	bushel	8,107,224	$17,049,094	7,834,204	$18,000,000	14,656,800	$31,000,000
Wheat and products	bu. eq.	167,432,061	555,033,100	147,120,307	499,800,000	140,406,289	453,100,000
Rice, milled	cwt.	7,031,750	63,203,840	8,112,928	65,400,000	5,864,236	47,500,000
Blended food products	cwt.	---	---	---	---	---	---
Cotton, upland	bale	36,222	9,795,761	79,000	19,000,000	37,000	9,000,000
Vegetable oil products	pound	490,781,983	90,837,225	679,016,800	119,700,000	736,336,400	130,000,000
Tallow	pound	133,110,629	19,176,412	70,547,200	11,000,000	24,250,600	4,000,000
Unallocated reserve a/	Met.Ton	xx	---	1,095,000	100,000,000	798,000	90,000,000
Initial payment to exporters	xxx	xx	---	xx	-16,700,000	xx	-15,300,000
Total commodity costs	xxx	xx	760,095,432	xx	816,200,000	xx	749,300,000
Ocean transportation	Met.Ton	b/ 2,684,020	102,015,873	c/ 3,011,600	112,727,000	d/ 2,805,316	102,700,000
Total expenses of shipment	xxx	xx	862,111,305	xx	928,927,000	xx	852,000,000

a/ The unallocated reserves for fiscal years 1987 and 1988 will be allocated in accordance with the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended, including Section 401 of that Act.
b/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate. Includes $12,446,459 for ocean transportation financing.
c/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate. Includes $3.0 million for ocean transportation financing.
d/ Based on 50.0 percent of tonnage on U.S.-flag vessels at average rate.

The following table shows account receivable activity for amounts billed, repayments, and amounts owed by foreign governments and private trade entities for Title I long-term credit sales, including the Title III, Food for Development Program, for fiscal years 1986, 1987, and 1988:

	1986 Actual	1987 Estimated	1988 Estimated
Balance outstanding, start of year:			
Principal	$10,045,700,966	$10,622,254,185	$11,250,540,185
Interest	269,707,703	295,539,529	323,157,529
Total	10,315,408,669	10,917,793,714	11,573,597,714
Amounts billed during year:			
Principal	814,621,179	819,200,000	749,300,000
Interest	248,944,906	263,432,000	279,013,000
Total	1,063,566,085	1,082,632,000	1,028,313,000
Repayments:			
Principal	-238,067,960	-190,914,000	-130,341,000
Interest	-223,113,030	-235,814,000	-249,762,000
Total	-461,181,040	-426,728,000	-380,103,000
Balance outstanding, end of year:			
Principal	10,622,254,185	11,250,540,185	11,869,499,185
Interest	295,539,529	323,157,529	352,408,529
Total	10,917,793,714	11,573,697,714	12,221,907,714

(2) A net increase of $856,000 in amounts for financing commodities supplied in connection with dispositions abroad (Title II).

	1986 1/ Actual	1987 2/ Estimated	Increase or Decrease	1988 Estimated
Program:				
Expenses of shipments:			(a)	
Commodity costs	$402,526,261	$338,998,000	+$1,002,000	$340,000,000
Ocean transportation and inland distribution			(b)	
costs	269,733,673	195,146,000	-146,000	195,000,000
Total expenses of shipments	672,259,939	534,144,000	+856,000	535,000,000
Purchase of foreign currencies for use in self help activities	---	---	---	---
Total program	672,259,939	534,144,000	+856,000	535,000,000
Financing:				
1985 funds used for 1986 costs	-291,805,967			---
1985 unobligated balance carried forward	-356,930,700			---
1985 unobligated balance lapsing	225,000,000			---
1986 funds used for 1987 costs	+366,794,728	-366,794,728	+366,794,728	---
1987 funds used for 1988 costs	---	366,794,728	-733,589,456	-366,794,728
1988 funds used for 1989 costs	---	---	+366,794,728	366,794,728
Net financing	-56,941,939	---	---	---
Total available or estimate	515,318,000	534,144,000	+856,000	535,000,000

1/ Reflects transfer of $3.0 million in program level and appropriation from Title II to Titles I/III under authority provided in the FY 1986 Continuing Resolution.

2/ Reflects transfer of $94.2 million in program level and appropriation from Title II to Titles I/III under authority provided in the FY 1987 Continuing Resolution.

Need for Change.

A slight decrease in the fiscal year 1988 volume of shipments is offset by increases in commodity unit prices.

Nature of Change

(a) An increase of $356,000 in commodity costs ($534,144,000 available in 1987). Changes in shipments and commodity costs are as follows:

	Change in Estimated Shipments	Change in Cost of Shipments
	(in thousands)	
Increases:		
Blended food products (lb.)	-14,181	+152*
Dry edible beans (cwt.)	-3	+10*
Vegetable oil products (lb.)	+387	+256
Feed grains and products (metric tons)	-32	+169*
Wheat and products (bu. equiv.)	+32	+325*
Rice, milled (cwt)	+4	+35*
Peas, dried (lb.)	-369	+2*
Nonfat dry milk (lb.)	+860	+43
Lentils (lb.)	+36	+9
Total increase	xx	+1,002

*Also reflects slightly higher commodity unit prices. Other commodities estimated in both years reflect either no change or lower unit prices.

(b) A decrease of $146,000 in ocean transportation and inland distribution ($195,146,000 available in 1987). This is due to lower total metric tonnage reflecting net decreases in commodity quantities listed above.

Costs financed include payment to the Corporation for its investment in commodities made available, including acquisition costs, storage, processing and packaging, inland transportation, and handling charges. Commodities supplied from the Corporation's inventory, if acquired under a price support program, are valued at a price not greater than the export market price at the time of delivery. Costs of ocean transportation are paid from U.S. ports to designated ports of entry abroad, or designated points of entry in landlocked countries, as well as any foreign currencies purchased for use in self-help activities.

The following table shows estimated expenses of shipments of commodity for fiscal years 1986, 1987, and 1988:

Public Law 480, Title II, Expenses of shipments, 1986-1988:

Commodity	Unit of Measure	1986 Actual		1987 Estimate		1988 Estimate	
		Quantity	Value	Quantity	Value 1/	Quantity	Value
Feed grains:							
Corn	bushel	4,300,513	$10,660,866	3,482,000	$7,526,000	3,264,000	$7,548,000
Corn products	pound	189,343,207	17,382,745	253,859,000	13,001,000	237,786,000	18,054,000
Grain sorghum	bushel	3,637,927	9,803,905	10,446,054	24,078,000	9,716,679	20,851,000
Sorghum products	pound	148,089,465	15,223,931	152,205,000	6,262,000	148,810,000	9,579,000
Oat products	pound	9,345,550	1,315,715	11,274,000	1,390,000	11,307,000	1,394,000
Total feed grains	xxx	xx	54,387,185	xx	57,257,000	xx	57,426,000
Wheat	bushel	16,524,975	61,602,838	16,402,000	51,765,000	16,451,000	51,918,000
Wheat flour	pound	235,083,822	21,781,976	208,925,000	15,306,000	209,541,000	16,354,000
Bulgur	pound	795,733,452	76,366,255	464,281,000	42,138,000	465,297,000	42,252,000
Other wheat products	pound	---	-31,633	---	---	---	---
Total wheat and products	bu.equ.	36,383,095	159,719,431	29,569,000	110,209,000	29,651,000	110,534,000
Rice, milled	cwt.	1,352,332	17,471,160	1,502,000	12,272,000	1,506,000	12,308,000
Beans, dry edible	cwt.	290,475	6,922,704	167,000	3,458,000	164,000	3,468,000
Blended food products	pound	390,343,887	53,610,158	447,245,000	51,188,000	433,064,000	51,340,000
Soybean products	pound	939,584	156,486	---	---	---	---
Peas, dry whole	pound	11,384,341	1,628,431	4,932,000	678,000	4,613,000	680,000
Raisins	pound	4,506,480	1,863,302	---	---	---	---
Butter	pound	---	70	---	---	---	---
Cheese	pound	1,458,128	75,939	---	---	---	---
Milk, nonfat dry	pound	266,220,343	13,865,283	288,140,000	14,407,000	289,000,000	14,450,000
Total dairy products	pound	267,678,476	13,941,342	238,140,000	14,407,000	289,000,000	14,450,000
Vegetable oil products	pound	276,152,192	92,826,035	299,896,000	36,530,000	300,733,000	36,836,000
Lentils	pound	---	---	11,820,000	2,949,000	11,856,000	2,958,000
Total commodity costs	xxx	xxx	402,526,261	xxx	338,998,000	xxx	340,000,000
Ocean transportation	met.ton	1,782,583	269,733,678	1,847,000	195,146,000	1,909,000	195,000,000
Total expenses of shipment	xxx	xxx	672,259,939	xxx	534,144,000	xxx	535,000,000

Note: Metric tonnage shown is based on the pounds of products on which freight is actually paid, not on bushel equivalent of grain.

1/ Reflects transfer of $94.2 million in program level and appropriation from Title II to Titles I/III under authority provided in the FY 1987 Continuing Resolution.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service (ASCS) was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 901-913). The warehouse examination function was transferred from the Agricultural Marketing Service to ASCS under Secretary's Memorandum 1020-15, effective May 13, 1984. The U.S. Warehouse Act (7 U.S.C. 241-273) is the legislative authority for this program. The Food Security Act of 1985, enacted on December 23, 1985, provided for changes to several existing programs and required the implementation of many new programs, primarily those operated through the Commodity Credit Corporation.

The ASCS conducts its programs in the field through a number of offices. Agricultural Stabilization and Conservation State and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, ASCS also obtains recommendations and advice in the formulation of program plans and policies. There are 50 ASC State committees, an ASC committee in Puerto Rico, and 3,054 county committees. The Washington headquarters offices and the Kansas City field offices are the principal staff offices for carrying out activities of the Commodity Credit Corporation (CCC). Such functions include accounting for loans and purchases; acquisition, management, storage, and disposition of commodities; and related transportation and accounting activities.

ASCS licenses warehouses and performs inspections of these facilities, for a fee, to reduce the risk of financial loss to depositors storing commodities at licensed facilities. Inspections are also performed on non-licensed facilities that have storage contracts with CCC for commodities owned by or pledged as collateral to CCC.

Permanent, full-time, end-of-year Federal employment for ASCS for fiscal years 1986, 1987, and 1988 is as follows:

Federal Employment	FY 1986 (actual)	FY 1987 (est.)	FY 1988 (est.)
Washington	524	525	541
Field Offices (States, Kansas City field offices, and Aerial Photography Field Office)	1,920	2,117	2,114
TOTAL FEDERAL	2,444	2,642	2,655
ASCS county office staff-years are as follows:	14,874	15,829	13,669

Following are the principal programs and funding related to ASCS operations:

1. Salaries and Expenses Account. The administrative expenses of Agency programs and other functions assigned to ASCS are funded by this account. The account was established by the Agricultural Appropriation Act of 1963 (P.L. 87-879) to simplify budgetary and accounting requirements and recordkeeping. Salaries and expenses for administering commodity price support, related CCC programs, warehouse examinations, conservation, and all other programs are financed by funds transferred from the CCC, by user fees, and various transfers, advances, and reimbursements. The Agricultural Appropriation Act of 1964 (P.L. 88-250) authorized the merger of all sources of administrative expense funds, including those transferred from CCC.

2. Conservation Reserve Program. The Conservation Reserve Program (CRP) was mandated by sections 1231-1244 of the Food and Security Act of 1985 (P.L. 99-198) to establish permanent cover on highly erodible cropland. The primary objectives of the CRP are to help farmers control critical soil erosion that occurs on about a third of America's cropland and to decrease production of surplus agricultural commodities, including wheat, corn, grain sorghum, soybeans, and small grains.

   The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands on all cropland meeting the eligibility criteria of eroding at three times the soil loss tolerance or higher, or twice the soil loss tolerance with serious gully erosion. Up to 45 million acres of highly erodible land may be entered into the reserve.

   The program is administered by State and local ASC committes working under the general direction of ASCS. Technical assistance is provided by the Soil Conservation Service, the Forest Service, State Forestry agencies, the Cooperative Extension Service, and other appropriate agencies.

   In exchange for entering land into the reserve, program participants will receive annual rental payments in cash or CCC commodities, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers will receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

   To facilitate program implementation, use of the funds and facilities of the Commodity Credit Corporation (CCC) was authorized for fiscal years 1986 and 1987. Beginning in fiscal year 1988, separate appropriations will be requested in advance to carry out program provisions. The services and facilities of the CCC will continue to be used, with the appropriations provided to carry out the program.

3. Agricultural Conservation Program. This program is authorized by sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act (P.L. 74-46), as amended and supplemented; sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970 (P.L. 91-524), as added by the Agriculture and Consumer Protection Act of 1973 (P.L. 93-86); and the Energy Security Act of 1980 (P.L. 96-294). The program's primary objective is to conserve the nation's agricultural soil and water resources in order to ensure a continuing adequate supply of food and fiber while enhancing the environment. The ACP focuses on the highest priority resource problems and the areas of the country most acutely affected by these problems. A targeted area receives extra assistance until its problem has been brought under control.

Through the ACP farmers and landowners receive assistance of up to 75 percent of the cost of performing enduring conservation practices that would not be carried out without ACP assistance. A variable cost-share level is also used by counties on a voluntary basis to encourage more conservation on the land for the same or less cost, by relating cost-share levels to the severity of the erosion and the amount of soil savings obtained.

The program is developed jointly by ASC committees, the Soil Conservation Service, the Forest Service, and in most instances, the soil and water conservation districts and State conservation commissions. Program development is in consultation with National, State, and county ACP conservation review groups, the Cooperative Extension Service, the Farmers Home Administration, and representatives of local agencies and nongovernmental organizations. The Soil Conservation Service, Forest Service, and State forestry agencies provide technical program guidance to ASC committees as well as technical aid to farmers in carrying out conservation practices. The ACP is administered by ASC State, county, and community farmer-elected committees, working under the general direction of ASCS.

4. Colorado River Basin Salinity Control Program. This program is authorized by Section 202(c) of Title II of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C. 1592(c)). The purpose of the program is to reduce salinity in the Colorado River and to improve water quality delivered to downstream users in the U.S. and Mexico by identifying salt source areas, developing plans, and implementing salinity control measures. Measures include improvement of on-farm irrigation water management, related laterals, and erosion management practices. The Federal Government will provide financial and technical assistance to landowners to plan, install, and maintain needed soil and water conservation practices, including replacement of incidental fish and wildlife values; to conduct research, demonstrations, and education activities; and to monitor and evaluate program effectiveness. The program provides for a 70-percent Federal cost-share rate and reimbursement of 30 percent of ASCS cost-share funds by the States (to be billed by USDI and paid by the States to Treasury), for an effective Federal cost-share level of 49 percent. The program will be carried out in the seven Colorado River Basin States--Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming.

5. Forestry Incentives Program. This program is authorized by the Cooperative Forestry Assistance Act of 1978 (P.L. 95-313). Its objectives are to increase the Nation's production of sawtimber and pulpwood on nonindustrial, private forest lands; to decrease, over time, expected shortages and rising prices of timber; and to help ensure effective use of available forest lands. Program objectives are met by providing cost-share and technical assistance to landowners to encourage voluntary installation of forestry practices. The program shares up to 65 percent of the cost incurred by the landowner for tree planting and timberstand improvement.

6. Water Bank Program. This program is authorized by the Water Bank Act (P.L. 91-559), enacted December 1970, as amended by P.L. 96-182, enacted January 1980. Its objectives are to conserve surface water; preserve and improve migratory waterfowl and wildlife-related resources; reduce runoff, soil and wind erosion; improve flood control; contribute to improved soil moisture; reduce the acreage of land brought into agricultural production; retire land now in production; enhance landscape aesthetics; and promote comprehensive water management planning. Agreements are entered into with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas for the conservation of specified wetlands.

The agreements are for 10-year periods with provision for renewal for additional periods. Rates are established by the ASC State committee based on prevailing local land values. Payment rates may be adjusted at the beginning of the fifth year of the agreements to reflect current land values.

Emergency Conservation Program. This program is authorized by Title IV of the Agricultural Credit Act of 1978 (P.L. 95-334). Its objective is to restore to normal agricultural use farmlands damaged by wind erosion, hurricanes, floods, or other natural disaster and designated as eligible for assistance by ASC county committees. Also included under the program are water conservation and water enhancement practices during periods of severe drought as determined by the ASCS Deputy Administrator for State and County Operations. Up to 64 percent of the cost of carrying out approved practices under this program is shared with farmers.

8. Rural Clean Water Program. This experimental program is authorized by the Agricultural Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528). The program is a cooperative endeavor among farmers, various USDA agencies, and EPA to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. Improved water quality is achieved, in keeping with water quality goals and standards, in a cost effective manner. The program provides 3- to 10-year financial and technical assistance for the installation and maintenance of practices to control water pollution on agricultural lands in selected project areas. Treatment measures for each farm are based on an approved water quality plan. The effectiveness of these practices in reducing pollutants is evaluated.

9. Dairy Indemnity Program. This program was established by section 3 of P.L. 90-484, "An Act to provide indemnity payments to dairy farmers." This law carried out the intent of P.L. 88-452, "Economic Opportunity Act of 1964," which originally authorized indemnity payments. The program was extended through September 30, 1990, by section 152 of the Food Security Act of 1985. Under this program, indemnity payments are made to farmers and manufacturers who are directed to remove their milk or milk products from commercial markets because of (1) residues of chemicals that have been registered and approved by the Federal Government, (2) residues of other chemicals and toxic substances, or (3) nuclear fallout. The authority also provides indemnity payments for cows producing such milk.

10. Commodity Credit Corporation Program Activities. Various commodity price support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the CCC programs. The Administrator of ASCS is ex-officio Executive Vice President of the Corporation.

Additional information on the commodity price support and related activities of the Commodity Credit Corporation is found elsewhere in these Explanatory Notes.

11. Foreign Assistance Program and Other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorize the use of CCC funds and facilities to implement the programs. Under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, as amended, the Corporation finances the sale of exported agricultural commodities (Titles I and III) and donates commodities to friendly nations in times of famine or other emergencies in order to combat malnutrition (Title II). Funds for these programs are made available to the Corporation for its costs incurred or to be incurred in connection with these activities. Additional information on these programs is found elsewhere in these Explanatory Notes.

12. Other Activities. The Agricultural Stabilization and Conservation Service is responsible for part of the Department's emergency preparedness work. This activity includes defense readiness for food production; domestic distribution of farm machinery, fertilizer, feed, and seed; food processing and storage; and distribution through the wholesale level. ASCS also performs certain services for other Federal agencies and others on an advance or reimbursable payment basis.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Available Funds and Staff-Years
1986 Actual and Estimated 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries & Expenses, ASCS:						
Transferred from Rental Payments and Building Operations	198,000	)	--	)	--	)
Transfers from CCC authorized in Appropriation Act	454,884,000	)	$534,743,000	)	$527,663,000	)
Total, Salaries and Expenses, ASCS	455,082,000	2,733	534,743,000	3,044	527,663,000	2,914
Agricultural Conservation Program	180,739,000		176,935,000		--	
Colorado River Basin Salinity Control Program a/	(2,996,000)		3,804,000		--	
Dairy Indemnity Program	9,095,000		95,000		--	
Forestry Incentives Program	11,891,000		11,891,000		--	
Water Bank Program	8,371,000		8,371,000		--	
Emergency Conservation Program	5,000,000		10,000,000		--	
Subtotal, ASCS	670,178,000	2,733	745,839,000	3,044	527,663,000	2,914
Obligations under other USDA appropriations	31,529,000	213	27,299,000	233	27,010,000	234
Total Agriculture and Related Agencies Appropriations	701,707,000	2,946	773,138,000	3,277	554,673,000	3,148
Other Federal Funds	752,000	1	737,000	1	741,000	1
Non-Federal Funds	44,006,000	74	19,159,000	62	18,626,000	63
Total, Agricultural Stabilization and Conservation Service	746,465,000	3,021	793,034,000	3,340	574,040,000	3,212

a/ Colorado River Basin Salinity Control Program was financed from Agricultural Conservation Program funds in FY 1986. A separate appropriation is available in FY 1987.

Full-Time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	2,936	3,255	3,140
Non-ceiling	85	85	72
Total	3,021	3,340	3,212

Note: Staff-years shown do not include staff-years for ASCS county and community committee persons and employees of ASCS county committees who are not Federal employees.

ASCS county employee staff-years are as follows:

FY 1986 - 14,874
1987 - 15,829
1988 - 13,669

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
Permanent Positions by Grade and Staff-Year Summary
1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES 6	1	--	1	1	--	1	1	--	1
ES 5	3	--	3	3	--	3	3	--	3
ES 4	4	1	5	4	1	5	4	1	5
ES 3	4	1	5	4	1	5	4	1	5
ES 2	2	--	2	2	--	2	2	--	2
ES 1	3	--	3	3	--	3	3	--	3
GS/GM 15	39	30	69	39	30	69	39	30	69
GS/GM 14	76	48	124	76	48	124	76	48	124
GS/GM 13	113	164	277	113	164	277	113	164	277
GS 12	64	527	591	64	527	591	64	527	591
GS 11	30	244	274	31	244	275	35	244	279
GS 10	1	9	10	1	9	10	1	9	10
GS 9	16	160	176	16	160	176	20	160	180
GS 8	7	29	36	7	29	36	7	29	36
GS 7	53	126	179	53	176	229	57	173	230
GS 6	60	102	162	60	151	211	60	151	211
GS 5	17	285	302	17	334	351	21	334	355
GS 4	17	122	139	17	171	188	17	171	188
GS 3	7	30	37	7	30	37	7	30	37
GS 2	--	2	2	--	2	2	--	2	2
GS 1	--	--	--	--	--	--	--	--	--
Ungraded Positions	7	40	47	7	40	47	7	40	47
Total Permanent Positions	524	1,920	2,444	525	2,117	2,642	541	2,114	2,655
Staff-Years:									
Ceiling	567	2,369	2,936	571	2,684	3,255	564	2,576	3,140
Non-Ceiling	5	80	85	4	81	85	4	68	72
TOTAL	572	2,449	3,021	575	2,765	3,340	568	2,644	3,212

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

CLASSIFICATION BY OBJECTS

Agency Summary

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters	$19,872,000	$20,733,000	$20,858,000
Field	58,038,000	66,608,000	66,127,000
11 Total personnel compensation	77,910,000	87,341,000	86,985,000
12 Personnel Benefits	10,141,000	12,080,000	15,428,000
13 Benefits for former personnel	787,000	989,000	1,018,000
Total Pers. Comp. & Benefits	88,838,000	100,410,000	103,431,000
Other Objects:			
21 Travel	3,760,000	3,868,000	4,168,000
22 Transportation of things	1,084,000	1,013,000	964,000
23 Rent, communications and utilities	14,338,000	20,164,000	20,739,000
24 Printing and reproduction	2,500,000	2,744,000	2,828,000
25 Other services	12,274,000	17,749,000	17,465,000
26 Supplies and materials	3,889,000	4,862,000	4,471,000
31 Equipment	575,000	950,000	704,000
41 Grants, subsidies, and contributions	506,768,000	639,275,000	428,811,000
42 Insurance claims and indemnities	107,000	59,000	59,000
43 Interest and dividends	9,000	3,000	3,000
44 Refunds	50,000	20,000	20,000
Total other objects	545,354,000	690,707,000	480,232,000
Total direct obligations	634,192,000	791,117,000	583,663,000
Position Data:			
Average Salary, ES positions	$68,700	$70,800	$70,800
Average Salary, GS positions	29,477	30,249	30,361
Average Grade, GS positions	9.61	9.61	9.63

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses (Including Transfers of Funds):

For necessary administrative expenses of the Agricultural Stabilization and Conservation Service, including expenses to formulate and carry out programs authorized by title III of the Agricultural Adjustment Act of 1938, as amended (7 U.S.C. 1301-1393); the Agricultural Act of 1949, as amended (7 U.S.C. 1421 et seq.); sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q); sections 1001 to 1004, 1006 to 1008, and 1010 of the Agricultural Act of 1970 as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501 to 1504, 1506 to 1508, and 1510); the Water Bank Act, as amended (16 U.S.C. 1301-1311); the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101); sections 202(c) and 205 of title II of the Colorado River Basin Salinity Control Act of 1974, as amended (43 U.S.C. 1592(c), 1595); sections 401, 402, and 404 to 406 of the Agricultural Credit Act of 1978 (16 U.S.C. 2201 to 2205); the United States Warehouse Act, as amended (7 U.S.C. 241-273); and laws pertaining to the Commodity Credit Corporation, [$491,856,000] $527,663,000, to be derived by transfer from the Commodity Credit Corporation fund: Provided, That other funds made available to the Agricultural Stabilization and Conservation Service for authorized activities may be advanced to and merged with this account: Provided further, That these funds shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $100,000 shall be available for employment under 5 U.S.C. 3109: Provided further, That no part of the funds [appropriated or] made available under this Act shall be used (1) to influence the vote in any referendum; (2) to influence agricultural legislation, except as permitted in 18 U.S.C. 1913; or (3) for salaries or other expenses of members of county and community committees established pursuant to section 8(b) of the Soil Conservation and Domestic Allotment Act, as amended, for engaging in any activities other than advisory and supervisory duties and delegated program functions prescribed in administrative regulations.

Agricultural Stabilization and Conservation Service

SALARIES AND EXPENSES

		Transfers from Commodity Credit Corporation
Appropriation Act, 1987		$491,856,000
Budget Estimate, 1988		527,663,000
Increase in Transfers		+35,807,000
Adjustments in 1987:		
Appropriations Act, 1987	$491,856,000	
1987 Supplemental CCC Transfers for increased workload	+24,000,000	
1987 Supplemental CCC Transfers for pay costs and FERS	+18,887,000 a/	
Adjusted Base for 1987		534,743,000
Budget Estimate, 1988		527,663,000
Decrease from adjusted 1987		-7,080,000

a/ Includes an increase of $8,967,000 for pay increases effective in FY 1987 and $9,920,000 for increased costs associated with the Federal Employees Retirement System (FERS).

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted CCC transfers)

Item of Change	1987 Estimated	Pay Costs and FERS	Program Changes	1988 Estimates
Increase for ASCS Maintenance of GSA space	--	--	+$824,000	$824,000
Increase for Pay Costs and FERS	$18,887,000	+$18,004,000	--	36,891,000
Decreased Workload	515,856,000	--	-$25,908,000	489,948,000
TOTAL AVAILABLE	$534,743,000	+$18,004,000	-$25,084,000	$527,663,000

PROJECT STATEMENT
(On basis of adjusted CCC transfers)

	1986 Actual		1987 Estimated			1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Increase or Decrease	Amount	Staff Years
1. Program formulation and appraisal	$16,799,269	101	$19,769,000	113	-$291,000	$19,478,000	108
2. Operation of supply adjustment, conservation and price support programs	391,282,969	2,350	459,740,000	2,618	-6,071,000	453,669,000	2,503
3. Inventory management and merchandising	46,897,959	280	55,103,000	310	-728,000	54,375,000	300
4. Warehouse examination	101,803	2	131,000	3	+10,000	141,000	3
Total available or estimate	455,082,000	2,733	534,743,000	3,044	-7,080,000	527,663,000	2,914
Transfers from CCC transfer authority	-454,884,000	-2,733	-491,856,000	-3,044			
Proposed Supplemental for Pay Costs and FERS	--	--	-18,887,000	--			
Proposed Supplemental for increased workload	--	--	-24,000,000	--			
Transferred from Rental Payments & Building Operations	-198,000	--	--	--			
Total, appropriation	-0-	-0-	-0-	-0-			

JUSTIFICATION OF INCREASES AND DECREASES

An overall net decrease of $7,080,000 for ASCS farm program administration ($534,743,000 available in FY 1987, including the proposed supplementals) consisting of:

(1) An increase of $2,989,000 to annualize 1987 pay costs and an increase of $15,015,000 to fund higher costs of the Federal Employees Retirement System in FY 1988.

(2) A net decrease of $25,084,000 related to:

(a) Reduced workload in county offices and the Kansas City Field Offices (-$25,908,000). These changes include a decrease in ADP data load activity and ADP program record establishment under the State and County Office Automation Project, reduced commodity loan activity, no new disaster program, no new funding for regular conservation programs, and a decrease in administrative costs associated with reduced total deficiency and diversion payments activity.

(b) An increase of $824,000 in FY 1988 for the transfer from GSA of building operations and maintenance costs for the ASCS Ward Parkway facility at Kansas City. GSA delegated this authority to USDA in FY 1987 and these costs ($794,000) are being funded by reimbursements in FY 1987. Beginning in FY 1988 these costs will be financed through transfer from CCC.

EXPLANATION OF PROGRAM

The account "Salaries and Expenses, Agricultural Stabilization and Conservation Service" funds the administrative expenses of program administration and other functions assigned to ASCS. The Budget for Salaries and Expenses, ASCS, reflects the transfer of CCC funds used to carry out specific programs. Funds made available to ASCS by other agencies for services associated with various programs are also advanced to and merged with this account. These transfers consolidate all administrative funds used by ASCS into one account, which provides clarity and better management and control of funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The activities carried out under this account are as follows:

1. Program formulation and appraisal. The supply adjustment, conservation, and commodity support programs have a major impact on the national and, to a lesser extent, the international economy. This activity provides for the development and constant review of the effectiveness of these programs. It also provides for the analysis of data to formulate more effective programs.

2. Operation of supply adjustment, conservation, and price support programs. This activity includes all functions dealing with the administration of programs carried out through the farmer committee system, including (a) developing program regulations and procedures; (b) holding meetings with employees and producers to discuss new programs or changes in existing programs; (c) collecting and compiling basic data for individual farms; (d) establishing individual farm allotments, bases, and yields; (e) notifying producers of established allotments, bases, and yields; (f) determining farm marketing quotas; (g) handling appeals; (h) conducting referendums and certifying results; (i) accepting farmer certifications and checking compliance; (j) accepting producer applications for participation in commodity price stabilizing programs; (k) issuing marketing cards so that production from the allotted acreage can be marketed without penalty; (l) processing producer requests for conservation cost-sharing and issuing conservation reserve rental payments; (m) processing commodity, storage facility, and grain reserve loans and repayments and issuing checks; (n) processing disaster, diversion and deficiency payments and issuing checks and commodity certificates; and (o) monitoring payment limitations.

3. Inventory management and merchandising. This activity includes: (a) overall management of CCC-owned commodities; (b) purchasing commodities; (c) donating commodities; (d) selling commodities (e) processing the redemption of commodity certificates for CCC inventory; and accounting for loans and commodities.

The foregoing activities serve as administrative support for the following missions of the Department as described previously under Foreign Assistance Programs, Agricultural Stabilization and Conservation Service, and Commodity Credit Corporation, respectively:

Agricultural exports
Environmental improvement and resource development and use
Farm income

4. Warehouse Examination. This activity provides for the examination of warehouses licensed under the U.S. Warehouse Act and non-licensed warehouses storing CCC-owned or pledged commodities. ASCS examiners perform periodic examinations of the facilities and the warehouse records to ensure protection of depositors against potential losses of the stored commodities and to ensure compliance with the U.S. Warehouse Act and any CCC storage agreements.

The following tabulation shows totals in this account for administrative expenses:

Project	1986 Actual	1987 Estimated	1988 Estimated
The obligations are distributed by activities as follows:			
1. Program formulation and appraisal....	$19,473,000	$20,424,000	$20,102,000
2. Operation of supply adjustment, conservation, & price support programs..	452,610,000	498,637,000	488,943,000
3. Inventory management & merchandising of commodities.....	54,208,000	56,857,000	58,534,000
4. Warehouse examination.....	5,077,000	6,020,000	6,461,000
Total.....	531,368,000	581,938,000	574,040,000
Obligations under CCC transfers:			
ASCS.....	455,082,000	534,743,000	527,663,000
Obligations under funds from other sources and consolidated with this account	76,286,000	47,195,000	46,377,000
Total.....	531,368,000	581,938,000	574,040,000

HOW ESTIMATES ARE MADE

Following is a brief description of the process for estimating requirements for Salaries and Expenses, ASCS:

County Offices. A work measurement study is made in approximately 160 counties to determine actual time required to complete units of work by category. Time and units reported by these work measurement counties are used to establish coefficients. Coefficients are then applied to units of work reported by all 2,695 headquarter counties for each category of work in each major program or function. Unmeasured work reflects other activities, less subject to this work measurement technique, which are recorded on an actual workday basis. This determines the normal work-days required for the workload involved in each fiscal year. The workload for each major program or function is shown in Table I and reflects changing program requirements.

The actual obligations for 1986, divided by the actual work-years, determined the average work-year cost for 1986. This cost was revised for 1987 and 1988 to reflect related pay adjustments and for changing workload and personnel requirements.

State, Field, and National Office Costs. Requirements for these offices are determined on the basis of past experience and program workload requirements. Table II reflects volume by major activity for field and national offices.

COMPUTATIONS FOR DEVELOPING
COUNTY OFFICE AND TOTAL COSTS

Fiscal Year 1986		
Normal work-days (Table I)	3,867,258	
Work-years for workload programs	14,874	a/
Obligations for workload programs (county offices)	$391,773,000	a/
Obligations for other offices	$139,595,000	
Total obligations, fiscal year 1986	$531,368,000	
Fiscal Year 1987		
Normal work-days (Table I)	4,115,538	
Work-year requirements for workload programs	15,829	a/
Obligations for workload programs (county offices)	$416,029,000	a/
Obligations for other offices	$165,909,000	
Total estimated obligations, fiscal year 1987	$581,938,000	
Fiscal Year 1988		
Normal work-days (Table I)	3,553,991	
Work-year requirements for workload programs	13,669	a/
Obligations for workload programs (county offices)	$405,244,000	a/
Obligations for other offices	$168,796,000	
Total estimated obligations, fiscal year 1988	$574,040,000	

NOTE: The above computations include all funds (CCC transfers, User Fees, other Advances and Reimbursements, and transfers from other agencies) available to Salaries and Expenses, ASCS, including proposed supplementals in FY 1987.

a/ The following work-years and funds are included for reimbursable county office workload associated with the Federal Crop Insurance Act of 1980.

	FY 1986		FY 1987		FY 1988	
	Work-Years	Dollars	Work-Years	Dollars	Work-Years	Dollars
FCIC	370	$8,818,044	157	$3,898,103	157	$3,898,103
Reinsured Companies	4	72,000	--	--	--	--
Total	374	$8,890,044	157	$3,898,103	157	$3,898,103

TABLE I

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE
SALARIES AND EXPENSES, ASCS

Normal Work-Days by Program/Function
FY 1986 Actual, FY 1987 Estimated and FY 1988 Projected

Program/Function	FISCAL YEAR 1986 Actual	1987 Estimated	1988 Projected
Conservation and Related Programs	262,241	338,082	270,591
Wool and Mohair	14,028	14,028	14,028
Loan Activity	663,971	846,215	732,265
Compliance	468,751	490,498	464,356
Yields and Bases Establishment	210,675	227,099	165,685
Commodity Program Payments	477,022	665,777	515,700
Basic Farm Records	356,274	302,905	259,291
Peanut Quotas and Marketings	19,954	19,954	19,954
Tobacco Allotments and Marketings	76,289	76,289	76,289
Referenda	14,470	372	740
Administration	641,747	656,747	656,747
Committee Elections	70,349	73,596	37,038
Emergency Feed Assistance Program	24,092	33,726	0
Unmeasured	114,695	114,695	114,695
Measurement Services	176,718	176,718	167,867
SCOAP Implementation	178,847	38,025	17,933
Subtotal	3,770,123	4,074,726	3,513,179
FCIC and Reinsured Companies	97,135	40,812	40,812
Total	3,867,258	4,115,538	3,553,991

TABLE II

COMMODITY CREDIT CORPORATION
Summary of Major Program Volume by Commodity
(In thousands)

Item and Commodity	FY 1986 Actual	FY 1987 Estimated	FY 1988 Estimated
1. LOANS MADE			
Upland Cotton (bales)	7,230	5,534	6,000
Corn (bu)	3,101,465	4,954,700	2,825,000
Grain Sorghum (bu)	341,771	349,700	230,000
Rice, Rough (cwt)	97,245	127,630	134,429
Wheat (bu)	543,074	774,193	579,604
Soybeans (bu)	516,646	400,000	425,000
Other Grains (bu)*	155,706	192,000	150,500
Honey (lb)	131,468	180,200	175,000
ELS Cotton (bales)	35	45	42
2. LOAN COLLATERAL FORFEITURES			
Upland Cotton (bales)	685	432	50
Corn (bu)	575,903	1,333,909	2,358,449
Grain Sorghum (bu)	156,373	230,959	193,000
Rice, Rough (cwt)	15,117	21,068	13,515
Wheat (bu)	518,715	523,044	498,048
Soybeans (bu)	150,626	300,220	45,000
Other Grains (bu)*	63,518	34,678	118,100
Honey (lb)	40,750	94,300	--
ELS Cotton (bales)	12	5	7
3. DISPOSITIONS			
Upland Cotton (bales)			
Regular	--	--	--
Certificates	1,393	5,170	390
Total	1,393	5,170	390
Corn (bu)			
Regular	140,826	343,535	949,449
Certificates	348,880	3,070,000	467,000
Total	489,706	3,413,535	1,416,449
Grain Sorghum (bu)			
Regular	11,252	36,447	102,995
Certificates	38,079	196,000	23,000
Total	49,331	232,447	125,995
Rice, Rough (cwt)			
Regular	5,733	6,859	6,312
Certificates	19,966	17,714	21,143
Total	25,699	24,573	27,455

(continued next page)

TABLE II (continued)

Item and Commodity	FY 1986 Actual	FY 1987 Estimated	FY 1988 Estimated
DISPOSITIONS (cont.)			
Wheat (bu)			
Regular	59,976	68,192	40,230
Certificates	116,031	858,222	142,273
Total	176,007	926,414	182,503
Soybeans (bu)			
Regular	12,019	15,000	15,000
Certificates	2,194	28,000	5,000
Total	14,213	43,000	20,000
Other Grains (bu)*			
Regular	2,621	999	1,050
Certificates	49,378	143,400	17,600
Total	51,999	144,399	18,650
Honey (lb)	92,886	90,500	86,757
ELS Cotton (bales)	5	5	5
4. ENDING INVENTORIES			
Upland Cotton (bales)	818	450	400
Corn (bu)	666,626	1,212,000	2,553,000
Grain Sorghum (bu)	259,169	352,000	435,000
Rice, Rough (cwt)	35,499	34,751	23,017
Wheat (bu)	923,395	925,589	1,349,310
Soybeans (bu)	171,044	455,264	484,264
Other Grains (bu)*	87,650	48,929	157,579
Honey (lb)	86,669	88,569	--
ELS Cotton (bales)	16	16	18

*Includes barley, oats, and rye.

ADP Activities

ADP in ASCS is integral to the agency's long-range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. Most data processing and accounting of CCC programs were previously performed in a large centralized facility in Kansas City, to which most county offices sent copies of transaction documents for recordation. Most work in county and State offices was performed manually. A cost benefit analysis showed that significant savings and increased productivity could be achieved by using automated equipment. A contract award for the automation equipment occurred in fiscal year 1984; delivery and system implementation began in early 1985. Equipment delivery was completed in FY 1986. Most major program applications are expected to be completed by January 1988.

Through the departmental communications network, program information will flow in a timely manner to State offices and Washington, where it will reside in a data base accessible to program specialists. This data base will also contain foreign production and supply and demand information collected by the Foreign Agricultural Service. Thus agency and departmental policymakers will have ready access to the latest information, both foreign and domestic.

A contract is in effect for the development and implementation of a new system for managing government-owned grain. Contractor assistance will be utilized for developing and implementing the processed commodities' inventory system and the proposed automation of tobacco marketing sites.

In carrying out the overall long-range plan described above, CCC capital investments totaling $10,608,000 in fiscal year 1988 will be required, as detailed below. Equipment will be purchased under the statutory authority of the Commodity Credit Corporation Charter Act to support the ASCS Information Resources Management Plan, which includes the joint ASCS-FAS data base. This project will be reassessed regularly at both the agency and department levels to ensure the efficiency of the system and compatibility with department-wide ADP system policies.

CCC funding for hardware enhancements and related capitalized software for the CCC Computer Facility, including components for headquarter and field offices, are estimated at $5,645,000. Mission essential enhancements for SCOAP equipment are estimated at $1,647,000. The remaining $3,316,000 is for the purchase of hardware to complete the proposed automation of tobacco marketing sites, and telephones and various peripherals needed to complete automation for Washington and field offices.

CONGRESSIONAL DIRECTIVE

In accordance with a Congressional directive requesting that the Explanatory Notes reflect a division between administrative costs for regular conservation programs and all other ASCS activities, the estimated FY 1988 administrative cost for conservation is $14,297,000.

This cost estimate includes all conservation administrative costs associated with activities previously funded through direct appropriation. For FY 1988, this estimate reflects costs for administering only carryover activities for the Agricultural Conservation Program (ACP), the Forestry Incentive Program (FIP), the Water Bank Program (WBP), and the Rural Clean Water Program (RCWP).

Agricultural Stabilization and Conservation Service
Salaries and Expenses
Geographic Breakdown of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986	Fiscal Year 1987	Fiscal Year 1988
Alabama	$8,527,357	$9,939,939	9,793,792
Alaska	247,256	288,214	283,977
Arizona	1,591,188	1,854,773	1,827,503
Arkansas	8,019,595	9,348,065	9,210,620
California	4,333,022	5,050,800	4,976,538
Colorado	5,182,135	6,040,571	5,951,756
Connecticut	754,764	879,793	866,857
Delaware	612,343	713,780	703,285
District of Columbia	52,818,301	53,625,782	52,837,322
Florida	4,308,841	5,022,613	4,948,765
Georgia	13,541,991	15,785,262	15,553,171
Hawaii	364,641	425,045	418,796
Idaho	4,731,137	5,514,864	5,433,779
Illinois	18,678,411	21,772,546	21,452,424
Indiana	11,235,053	13,096,173	12,903,620
Iowa	21,878,220	25,502,412	25,127,450
Kansas	16,383,098	18,303,007	18,816,224
Kentucky	11,328,205	13,204,756	13,010,607
Louisiana	6,156,133	7,175,915	7,070,408
Maine	1,450,134	1,690,353	1,665,500
Maryland	1,755,296	2,046,066	2,015,982
Massachusetts	763,330	889,778	876,696
Michigan	9,271,368	10,807,198	10,648,300
Minnesota	16,094,650	18,760,777	18,484,937
Mississippi	9,742,217	11,356,044	11,189,077
Missouri	45,386,681	60,800,761	59,906,807
Montana	6,168,576	7,190,419	7,084,698
Nebraska	17,132,037	19,970,010	19,676,391
Nevada	754,420	879,392	866,462
New Hampshire	665,477	775,715	764,309
New Jersey	792,742	924,062	910,476
New Mexico	2,540,281	2,961,086	2,917,549
New York	5,894,802	6,871,293	6,770,264
North Carolina	14,859,898	17,321,485	17,066,807
North Dakota	11,516,338	13,424,053	13,226,679
Ohio	11,585,214	13,504,339	13,305,784
Oklahoma	9,651,811	11,250,662	11,085,244
Oregon	3,192,162	3,720,953	3,666,243
Pennsylvania	6,007,828	7,003,042	6,900,076
Puerto Rico-Virgin Isl.	545,555	550,788	542,689
Rhode Island	149,225	173,945	171,388
South Carolina	5,853,408	6,823,042	6,722,723
South Dakota	9,723,948	11,334,749	11,168,094
Tennessee	10,907,914	12,714,842	12,527,896
Texas	29,633,785	35,312,282	34,793,087
Utah	3,007,290	7,936,724	7,820,031
Vermont	1,044,558	1,217,593	1,199,690
Virginia	8,305,423	9,681,241	9,538,898
Washington	3,812,316	4,443,837	4,378,499
West Virginia	3,862,068	4,501,831	4,435,641
Wisconsin	10,637,372	12,399,484	12,217,175
Wyoming	1,682,185	1,960,844	1,932,014
Total Direct Obligations/Estimates	$455,082,000	$534,743,000	$527,663,000
Undistributed Reimbursements	76,286,000	47,195,000	46,377,000
Total, Available Estimate	$531,368,000	$581,938,000	$574,040,000

Note: FY 1987 and 1988 estimates were prorated by State based on FY 1986 actual data.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Dairy Indemnity Program

[For necessary expenses involved in making indemnity payments to dairy farmers for milk or cows producing such milk and manufacturers of dairy products who have been directed to remove their milk or dairy products from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government, and in making indemnity payments for milk, or cows producing such milk, at a fair market value to any dairy farmer who is directed to remove his milk from commercial markets because of (1) the presence of products of nuclear radiation or fallout if such contamination is not due to the fault of the farmer, or (2) residues of chemicals or toxic substances not included under the first sentence of the Act of August 13, 1968, as amended (7 U.S.C. 450j), if such chemicals or toxic substances were not used in a manner contrary to applicable regulations or labeling instructions provided at the time of use and the contamination is not due to the fault of the farmer, $95,000: Provided, That none of the funds contained in this Act shall be used to make indemnity payments to any farmer whose milk was removed from commercial markets as a result of his willful failure to follow procedures prescribed by the Federal Government.]

The change deletes the appropriation language for the Dairy Indemnity Program since no funds are proposed for this program in fiscal year 1988.

Dairy Indemnity Program

Appropriations Act, 1987	$95,000
Budget Estimate, 1988	--
Decrease in Appropriation	-$95,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Indemnity payments to dairy farmers	$95,000	-$95,000	--
Indemnity payments to manufacturers of dairy products	--	--	--
Contamination Testing	--	--	--
Total Available	$95,000	-$95,000	--

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Indemnity payments to dairy farmers and manufacturers, and contamination testing...	$9,095,000	$95,000	-$95,000	--
Total, appropriation or estimate	$9,095,000	$95,000	-$95,000	--

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Indemnity payments to dairy farmers	$2,202,203	$3,155,525	-$3,155,525	--
Indemnity payments to manufacturers of dairy products	62,122	2,770,150	-2,770,150	--
Contamination testing	230,073	719,927	-719,927	--
Unobligated balance brought forward from prior years.	--	-6,550,602	+6,550,602	--
Unobligated balance carried forward to next year	6,550,602	--	--	
Total, appropriation or estimate	$9,095,000	$95,000	-$95,000	--

EXPLANATION OF PROGRAM

The appropriation "Dairy Indemnity Program" of the Agricultural Stabilization and Conservation Service funds indemnity payments, under certain circumstances, to dairy farmers and manufacturers of dairy products.

Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved by the Federal Government at the time of use. Original authority granted under this section terminated January 31, 1965, but the termination date has been extended ten times. Major legislation extending and modifying the program is summarized as follows:

-- The Agricultural Act of 1970, Public Law 91-524, authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market because they contained residues of chemicals registered and approved by the Federal Government.

-- The Agriculture and Consumer Protection Act of 1973, Public Law 93-86, extended the authority for dairy indemnity payments to June 30, 1977. The Act also authorized indemnity payments for dairy cows producing milk contaminated with pesticide residues.

-- The Food and Agriculture Act of 1977, which extended the Dairy Indemnity Program to September 30, 1981, also authorized indemnity payments for milk, or cows producing milk, that must be removed from commercial markets as a result of chemical residues not previously included, nuclear radiation, or fallout.

-- The Agriculture and Food Act of 1981 extended authority for the Dairy Indemnity Program through September 30, 1985.

-- The Food Security Act of 1985 extended authority for the Dairy Indemnity Program through September 30, 1990.

-- Use of Commodity Credit Corporation services and facilities was authorized under Public Law 99-349, the fiscal year 1986 Urgent Supplemental Appropriations Act.

-- Dairy Indemnity Program funds were made available until expended under Section 608, General Provisions, of Public Law 99-190, the Continuing Resolution for fiscal year 1986. This authority was continued in fiscal year 1987 under Section 608, General Provisions, of the agriculture appropriation as included in Public Laws 99-500 and 99-591, the fiscal year 1987 Continuing Resolution.

During fiscal year 1987, claims totaling $3,155,525 from dairy farmers and $2,770,150 from dairy manufacturers will be paid. Approximately $719,927 is estimated to be used by FSIS and APHIS for heptachlor testing. During fiscal year 1986, 113 dairy farmers and 4 manufacturers of dairy products filed claims for losses totaling $2,264,325.

JUSTIFICATION OF DECREASE

A decrease of $95,000 for indemnity payments to dairy farmers ($95,000 available in fiscal year 1987).

Need for Change. It is estimated that funds currently available will be sufficient to satisfy pending outstanding claims. No other major contamination problems are known at this time; therefore, no additional funds are being requested in the fiscal year 1988 budget.

Nature of Change. This decrease will eliminate funding for additional indemnity payments to dairy farmers and manufacturers of dairy products in fiscal year 1988.

The following table shows the geographic breakdown of obligations for fiscal years 1986-88.

Dairy Indemnity Program
Geographic Breakdown Of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986	Fiscal Year 1987	Fiscal Year 1988
Arkansas	$1,583,563	$4,735,426	--
Missouri	173,122	189,122	--
Nebraska	36,200	20,525	--
Oklahoma	471,440	979,000	--
Contamination testing	230,073 a/	719,927 b/	--
Total, Available or Estimate	$2,544,398	$6,644,000	--

a/ Includes funds for heptachlor testing by the Food Safety and Inspection Service and Animal and Plant Health Inspection Service as follows: Arkansas ($100,000), Missouri ($100,000) and Oklahoma ($30,073), .

b/ Available for heptachlor testing.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Agricultural Conservation Program

[For necessary expenses to carry into effect the program authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act approved February 29, 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and sections 1001-1004, 1006-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510), and including not to exceed $15,000 for the preparation and display of exhibits, including such displays at State, interstate, and international fairs within the United States, $176,935,000, to remain available until expended for agreements, excluding administration but including technical assistance and related expenses, except that no participant in the Agricultural Conservation Program shall receive more than $3,500, except where the participants from two or more farms or ranches join to carry out approved practices designed to conserve or improve the agricultural resources of the community, or where a participant has a long-term agreement, in which case the total payment shall not exceed the annual payment limitation multiplied by the number of years of the agreement: Provided, That no portion of the funds for the current year's program may be utilized to provide financial or technical assistance for drainage on wetlands now designated as Wetlands Types 3 (III) through 20 (XX) in United States Department of the Interior, Fish and Wildlife Circular 39, Wetlands of the United States, 1956: Provided further, That such amounts shall be available for the purchase of seeds, fertilizers, lime, trees, or any other conservation materials, or any soil-terracing services, and making grants thereof to agricultural producers to aid them in carrying out approved farming practices as authorized by the Soil Conservation and Domestic Allotment Act, as amended, as determined and recommended by the county committees, approved by the State committees and the Secretary, under programs provided for herein: Provided further, That such assistance will not be used for carrying out measures and practices that are primarily production-oriented or that have little or no conservation or pollution abatement benefits: Provided further, That not to exceed 5 per centum of the allocation for the current year's program for any county may, on the recommendation of such county committee and approval of the State committee, be withheld and allotted to the Soil Conservation Service for services of its technicians in formulating and carrying out the Agricultural Conservation Program in the participating counties, and shall not be utilized by the Soil Conservation Service for any purpose other than technical and other assistance in such counties, and in addition, on the recommendation of such county committee and approval of the State committee, not to exceed 1 per centum may be made available to any other Federal, State, or local public agency for the same purpose and under the same conditions: Provided further, That for the current year's program $2,500,000 shall be available for technical assistance in formulating and carrying out rural environmental practices: Provided further, That no part of any funds available to the Department, or any bureau, office, corporation, or other agency constituting a part of such Department, shall be used in the current fiscal year for the payment of salary or travel expenses of any person who has been convicted of violating the Act entitled "An Act to prevent pernicious political activities" approved August 2, 1939, as amended, or who has been found in accordance with the provisions of title 18 U.S.C. 1913 to have violated or attempted to violate such section which prohibits the use of Federal appropriations for the payment of personal services or other expenses designed to influence in any manner a Member of Congress to favor or oppose any legislation or appropriation by Congress except upon request of any Member or through the proper official channels.]

The change deletes the appropriation language for the Agricultural Conservation Program since no funds are proposed for this program in fiscal year 1988.

Agricultural Conservation Program

Appropriations Act, 1987	$176,935,000
Budget Estimate, 1988	--
Decrease in Appropriation	-$176,935,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Cost-sharing and technical assistance to farmers	$176,935,000 a/	$-176,935,000	--

a/ A request has been submitted to the Congress to rescind $164,356,000.

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Cost-sharing and technical assistance to farmers	$180,739,000	$12,579,000	-$12,579,000	--
Proposed rescission	--	164,356,000	-164,356,000	--
Total, appropriation or estimate	$180,739,000	$176,935,000	-$176,935,000	--

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Cost-sharing and technical assistance to farmers	$140,121,252	$89,934,117	-$89,934,117	--
Unobligated balance brought forward from prior years	-36,737,369	-77,355,117	+77,355,117	--
Unobligated balance carried forward to next year	77,355,117	--	--	--
Proposed rescission	--	164,356,000	-164,356,000	--
Total appropriation or estimate	$180,739,000	$176,935,000	-$176,935,000	--

EXPLANATION OF PROGRAM

The Agricultural Conservation Program (ACP) is authorized in sections 7 to 15, 16(a), 16(f), and 17 of the Soil Conservation and Domestic Allotment Act of 1936, as amended and supplemented (16 U.S.C. 590g-590o, 590p(a), 590p(f), and 590q), and sections 1001-1004, 1005-1008, and 1010 of the Agricultural Act of 1970, as added by the Agriculture and Consumer Protection Act of 1973 (16 U.S.C. 1501-1504, 1506-1508, and 1510), section 1501 of the Food and Agriculture Act of 1977 (P.L. 95-113), and section 259 of the Energy Security Act of 1980 (P.L. 96-294).

The ACP is administered by ASCS through the farmer-elected committee system. The program is a joint effort by Government and landowners to restore and protect basic land and water resources. Objectives include helping to ensure a continuous, adequate supply of food and fiber; improving water quality in rural America; facilitating resource management systems; and achieving national priorities reflected in the National Environmental Policy Act of 1969 and related legislation.

1987 Program

1. Program Direction. The 1987 ACP will be directed toward congressional and executive objectives through continued emphasis on specific enduring practices to solve the most critical conservation problems and to meet water quality goals. Treatment of cropland estimated to have moderate to severe soil erosion (erosion in excess of the soil loss tolerance) will be of primary concern.

   -- Annual Agreements. $12.5 million was earmarked for cost-sharing of annual agreements and was allocated to the States for this purpose. Included in the $12.5 million total is $3.2 million specifically for emergency drought assistance to Southeastern States that were adversely affected by excessive heat and dry weather conditions.

   -- Long-Term Agreements. No funds were allocated to the States specifically for this purpose. However, States have the option of using annual agreement funds for long-term agreements.

   -- Variable Cost-Share Levels. Under this program, cost-share levels are established for erosion control practices on the basis of the severity of the erosion problem and the amount of soil saved. In fiscal year 1986 a total of 320 counties, including over 100 new counties, participated in this voluntary project. Results indicate that there are improvements in the cost effectiveness of practices applied under the program. Based on these results, State and county committees were encouraged to continue the program in the fiscal year 1987.

   -- Technical Assistance. $125 thousand is available to the Forest Service for technical assistance relating to forestry practices.

-- Method of Allocation. In accordance with administrative policy, the proportionate share of funds allocated to any State for annual agreements was not reduced more than 1 percent from the fiscal year 1986 distribution. Distribution to the States was made according to their conservation needs, as determined by the Secretary.

2. Program Development. State and county programs are developed through a process whereby county committees submit recommendations through the State committees to the Secretary. Practices available to a county committee include all those previously approved by the Secretary plus any other practice that a county committee considers necessary to solve a local conservation problem and that is approved by the State committee and the Secretary or his designee.

3. Practices. Under the 1987 ACP we will encourage cost effective practices, such as vegetative cover, terraces, and sod waterways, which result in significant conservation of soil and water, or other improvements in the environment.

   Practices that are not enduring or do not provide enduring benefits will not be a part of the program. Other practices excluded from the national program include practices that are primarily production oriented.

JUSTIFICATION OF DECREASE

A decrease of $176,935,000 for cost-share assistance to agricultural producers ($176,935,000 available in fiscal year 1987).

Need for Change. Due to the need to reduce the Federal deficit, no funds are proposed for this program. Funding from State, local, and private sources, which account for a major portion of the total conservation investment, would permit continuation of higher priority conservation measures on the Nation's agricultural lands.

Nature of Change. No new activity will be initiated under this program. Practices for which funds were previously obligated will be completed. Existing long-term agreements will be honored.

The following tables show (a) outlays for fiscal year 1986 and (b) geographic breakdown of obligations for fiscal years 1986-1988.

Agricultural Conservation Program
Fiscal Year 1986 Outlays by State

State	Outlays
Alabama	$3,654,344
Alaska	194,145
Arizona	1,519,198
Arkansas	2,785,394
California	3,865,159
Colorado	4,243,828
Connecticut	263,514
Delaware	195,795
Florida	2,828,502
Georgia	3,566,828
Hawaii	350,722
Idaho	2,731,028
Illinois	5,285,558
Indiana	2,796,191
Iowa	4,452,684
Kansas	4,401,412
Kentucky	3,980,616
Louisiana	2,554,198
Maine	1,804,526
Maryland	879,885
Massachusetts	405,578
Michigan	2,656,608
Minnesota	4,464,118
Mississippi	3,669,691
Missouri	5,549,572
Montana	3,206,262
Nebraska	3,486,566
Nevada	735,838
New Hampshire	448,122
New Jersey	455,733
New Mexico	1,504,561
New York	2,833,755
North Carolina	2,722,949
North Dakota	3,520,627
Ohio	2,907,633
Oklahoma	4,017,630
Oregon	3,059,005
Pennsylvania	2,984,356
Puerto Rico	633,764
Rhode Island	50,165
South Carolina	1,749,746
South Dakota	2,047,539
Tennessee	3,680,922
Texas	12,509,705
Utah	3,485,760
Vermont	635,681
Virginia	2,173,669
Virgin Islands	6,925
Washington	3,985,233
West Virginia	1,404,131
Wisconsin	3,335,730
Wyoming	1,384,683
ASCS Subtotal (Includes SCS Tech. Assistance)	138,065,784
FS Technical Assistance	831,713
TOTAL	$138,897,497

Agricultural Conservation Program
Geographic Breakdown of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986	Fiscal Year 1987	Fiscal Year 1988
Alabama	$3,993,125	$2,141,568	--
Alaska	61,818	812,359	--
Arizona	1,610,680	1,400,848	--
Arkansas	3,504,528	686,096	--
California	3,517,635	3,047,965	--
Colorado	4,287,962	3,417,761	--
Connecticut	243,845	141,674	--
Delaware	93,290	225,477	--
Florida	2,374,586	2,321,315	--
Georgia	4,942,933	2,465,196	--
Hawaii	276,122	412,294	--
Idaho	2,645,107	709,230	--
Illinois	5,375,515	1,287,166	--
Indiana	2,736,748	1,682,641	--
Iowa	4,575,908	3,422,301	--
Kansas	4,358,886	2,110,769	--
Kentucky	4,106,753	1,040,475	--
Louisiana	2,426,468	1,462,734	--
Maine	1,563,374	875,783	--
Maryland	855,946	691,839	--
Massachusetts	298,327	194,221	--
Michigan	3,703,936	1,140,088	--
Minnesota	2,626,108	5,622,485	--
Mississippi	4,006,347	1,322,077	--
Missouri	5,790,941	3,037,210	--
Montana	2,137,208	5,811,227	--
Nebraska	4,246,285	1,481,394	--
Nevada	867,609	168,917	--
New Hampshire	290,324	479,909	--
New Jersey	427,367	183,236	--
New Mexico	1,594,553	1,275,939	--
New York	3,728,562	1,456,681	--
North Carolina	4,079,668	997,165	--
North Dakota	1,999,705	3,443,140	--
Ohio	3,656,008	1,121,672	--
Oklahoma	3,755,911	2,975,106	--
Oregon	2,280,511	1,548,611	--
Pennsylvania	3,191,108	1,758,194	--
Puerto Rico	687,666	173,609	--
Rhode Island	35,391	54,419	--
South Carolina	2,632,199	1,412,714	--
South Dakota	1,598,611	3,313,288	--
Tennessee	3,683,809	1,938,914	--
Texas	12,562,876	6,373,547	--
Utah	2,010,834	3,462,698	--
Vermont	908,936	130,288	--
Virginia	2,603,084	1,111,132	--
Virgin Islands	28,534	13,524	--
Washington	2,834,044	3,172,350	--
West Virginia	1,564,104	264,009	--
Wisconsin	3,807,415	1,598,780	--
Wyoming	1,035,577	2,416,292	--
Undistributed	66,597	--	--
ASCS Subtotal (Includes SCS Tech. Assistance)	138,291,384	89,808,327	--
FS Technical Assistance	1,829,868	125,790	--
Proposed Rescission	--	164,356,000	--
Total, Available or Estimate	$140,121,252	$254,290,117	--

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Colorado River Basin Salinity Control Program

[For necessary expenses for carrying out the purposes of section 202 of Title II of the Colorado River Basin Salinity Control Act, as amended (43 U.S.C. 1592), to be used to reduce salinity in the Colorado River and to enhance the supply and quality of water available for use in the United States and the Republic of Mexico, $3,804,000, to be available until expended for investigations and surveys, for technical assistance in developing conservation practices and in the preparation of salinity control plans, for the establishment of on-farm irrigation management systems, including related lateral improvement measures, for making cost-share payments to agricultural landowners and operators, Indian tribes, irrigation districts and associations, local governmental and non-governmental entities, and other landowners to aid them in carrying out approved conservation practices as determined and recommended by the county committees, approved by the State committees and the Secretary, and for associated costs of program planning, information and education, and program monitoring and evaluation: Provided, That the Soil Conservation Service shall provide technical assistance and the Agricultural Stabilization and Conservation Service shall provide administrative services for the program including, but not limited to, the negotiation and administration of agreements and the disbursement of payments: Provided further, That such program shall be coordinated with the regular Agricultural Conservation Program and with research programs of other agencies.]

The change deletes the appropriation language for the Colorado River Basin Salinity Control Program since no funds are proposed for this program in fiscal year 1988.

Colorado River Basin Salinity Control Program

Appropriations Act, 1987	$3,804,000
Budget Estimate, 1988	--
Decrease in Appropriation	-$3,804,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Cost-sharing assistance to landowners and others	$2,450,000	-$2,450,000	--
Technical assistance, planning, and monitoring and evaluation	1,284,000	-1,284,000	--
Information and education	70,000	-70,000	--
Total available	$3,804,000	-$3,804,000	--

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual a/	1987 Estimated	Decrease	1987 Estimated
Cost-sharing assistance to landowners and others	($2,992,000)	$2,450,000	-$2,450,000	--
Technical assistance, planning, and monitoring and evaluation	(804,000)	1,284,000	-1,284,000	--
Information and education	--	70,000	-70,000	--
Total, appropriation or estimate	($3,796,000)	$3,804,000	-$3,804,000	--

a/ Funded under the ASCS Agricultural Conservation Program and SCS Conservation Operations.

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual a/	1987 Estimated	Decrease	1988 Estimated
Cost-sharing assistance to landowners and others	($2,992,000)	$2,450,000	-$2,450,000	--
Technical assistance, planning, and monitoring and evaluation	(804,000)	1,284,000	-1,284,000	--
Information and education	--	70,000	-70,000	--
Total, appropriation or estimate	($3,796,000)	$3,804,000	-$3,804,000	--

a/ Funded under the ASCS Agricultural Conservation Program and SCS Conservation Operations.

EXPLANATION OF PROGRAM

The Colorado River Basin Salinity Control Program (CRSCP) is authorized by section 202(c) of Title II of the Colorado River Basin Salinity Control Act of 1974 (43 U.S.C. 1592c), as amended. The program is a cooperative endeavor by the Agricultural Stabilization and Conservation Service (ASCS), Soil Conservation Service (SCS), and Extension Service (ES). Consolidated funding provides for consistent and coordinated budget decisions by the Administration and Congress.

The objectives of the program are to assist landowners and others in the Colorado River Basin in establishing on-farm irrigation management systems and related lateral improvement measures to decrease the salt load and sedimentation level in the Colorado River and to enhance the supply and quality of water available for use in the United States and the Republic of Mexico. Emphasis on Colorado River salinity control supports the Nation's commitment to the 1973 International Boundary and Water Commission Agreement concerning the quality of water delivered downstream to users in the U.S. and Mexico.

1987 Program

1. Program Features. In 1987, a total of $3.8 million is available for ASCS cost-sharing and other Federal assistance, including education and information provided by ES, and planning studies, technical assistance, and monitoring and evaluation provided by SCS.

   Features of the program will include:

   --continued implementation of USDA on-farm projects to reduce salt load and improve water quality
   --reimbursement of 30 percent of ASCS cost-share funds by the States (to be billed by USDI and paid by the States to Treasury)
   --increased flexibility of program administration in dealing with irrigation districts, universities, and other units of State and local government.

2. Projects. Initial work on salinity projects began in 1978 under SCS River Basin Surveys and Investigations and in 1979 under the ASCS Agricultural Conservation Program. During fiscal year 1987 two projects will be funded as follows:

   $1.814 million for Grand Valley, Colorado (implemented in 1979) - Irrigation practices and excess use of water from flood irrigation in this area contribute 600,000 tons of salt annually to the Colorado River. The total on-farm and off-farm seepage or deep percolation reductions are 7,444 acre-feet per year, for a 30,093-ton-per-year salt load reduction. A reduction of 230,000 tons of salt per year will be realized when the project is complete.

   $1.840 million for Uinta Basin, Utah (implemented in 1980) - Heavy usage of irrigation practices on the saline land areas of this basin and salt concentrations in river systems contribute about 450,000 tons of salt per year into the Colorado River. Accomplishment data for 1986 shows that a total of 31,718 acres received treatment through improved irrigation systems under long-term agreements and that improved irrigation water management systems were installed on 29,265 acres. A salt load reduction of 76,000 tons per year in the Colorado River will be realized when the project is complete.

   Planning studies and monitoring and evaluation will be carried out on three other irrigation salt source areas: (1) Price-San Rafael, Utah, (2) Palo Verde, California, and (3) Lower Gunnison #1, Colorado.

JUSTIFICATION OF DECREASE

A decrease of $3,804,000 for Colorado River Basin Salinity Control Program cost-share assistance to landowners and others ($3,804,000 available under this appropriation in fiscal year 1987).

Need for Change. Due to the need to reduce the Federal deficit, no funding is proposed for this program.

Nature of Change. No fiscal year 1988 funds will be available to landowners for cost-share assistance. Existing agreements at the Grand Valley and Uinta projects will be honored.

Colorado River Basin Salinity Control Program
Geographic Breakdown of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986 a/	Fiscal Year 1987	Fiscal Year 1988
California	--	$50,000	--
Colorado	($1,400,000)	1,864,000	--
Utah	(1,596,000)	1,890,000	--
Total, Available or Estimate	($2,996,000) b/	$3,804,000 c/	--

a/ Funded under ACP.

b/ Includes transfer of $4,000 from ASCS to SCS for technical assistance.

c/ Thirty percent of ASCS cost-share obligations will be reimbursed by the States to Treasury.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Water Bank Program

[For necessary expenses to carry into effect the provisions of the Water Bank Act (16 U.S.C. 1301-1311), $8,371,000, to remain available until expended.]

This change deletes the appropriation language for the Water Bank Program since no funds are proposed for this program in fiscal year 1988.

Water Bank Program

Appropriations Act, 1987	$8,371,000
Budget Estimate, 1988	--
Decrease in Appropriation	-$8,371,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Annual payments to landowners and operators	$8,371,000 a/	-$3,371,000	--

a/ A request has been submitted to the Congress to rescind $8,166,000.

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Annual payments to landowners and operators	$8,371,000	$205,000	-$205,000	--
Proposed rescission	--	8,166,000	-8,166,000	--
Total, appropriation or estimate	$8,371,000	$8,371,000	-$8,371,000	--

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Annual payments to landowners and operators	$4,649,457	$4,834,858	-$4,884,853	--
Unobligated balance brought forward from prior years	-953,315	-4,679,353	+4,679,858	--
Unobligated balance carried forward to next year	4,679,358	--	--	--
Proposed rescission	--	8,166,000	-8,166,000	--
Total, appropriation or estimate	$8,371,000	$8,371,000	-$8,371,000	--

EXPLANATION OF PROGRAM

The appropriation "Water Bank Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Water Bank Act, Public Law 91-559, approved December 19, 1970, as amended by Public Law 96-182, approved January 2, 1980.

Its purpose is to conserve water, preserve, maintain, and improve migratory waterfowl habitat and other wildlife resources, and secure other environmental benefits through long-term land use agreements with landowners and operators in important migratory waterfowl nesting, breeding, and feeding areas.

The Secretary enters into agreements with landowners and operators for the conservation of specified wetlands. The agreements are for 10 years with provision for renewal for additional periods. During the period of the agreement, the landowner agrees not to drain, burn, fill or otherwise destroy the wetland character of such areas. The Secretary makes annual payments to the owner or operator at a rate determined at the time of agreement and subject to review after 4 years and at the time of renewal.

The Secretary carries out the program in harmony with wetlands programs administered by the Secretary of the Interior and utilizes the technical and related services of appropriate State, Federal, and private conservation agencies to ensure coordination.

Due to the need for fiscal restraint, a rescission of $8,166,000 is requested in fiscal year 1987.

JUSTIFICATION OF DECREASE

A decrease of $8,371,000 for Water Bank Program payments to landowners and operators ($8,371,000 available in fiscal year 1987).

Need for Change. Due to the need to reduce the Federal deficit, no funding is proposed for this program. The major program thrust for waterfowl habitat protection is in the Department of Interior, which has a dedicated source of funding for waterfowl habitat preservation authorized by the Migratory Bird Conservation Act. Also, the "swampbuster provision" of the Food Security Act of 1985 would deny farm benefits to producers who convert wetlands to crop use in the future, which further reduces the need for this program.

Nature of Change. No additional acreage will be brought under agreement in fiscal year 1988. Expiring contracts will not be renewed, and payment rates on 5-year-old contracts will not be increased. Existing agreements through 1996 will be honored.

The following tables show (a) outlays for fiscal year 1986 and (b) geographic breakdown of obligations for fiscal years 1986-88.

Water Bank Program

Fiscal Year 1986 Outlays by State

State	Outlays
Arkansas	$324,074
California	466,117
Louisiana	431,331
Maine	51,920
Michigan	60,753
Minnesota	1,744,117
Mississippi	445,863
Montana	311,739
Nebraska	189,915
North Dakota	3,321,153
South Dakota	1,523,722
Vermont	7,646
Wisconsin	443,987
SCS Tech. Assistance	15,958
TOTAL	$9,338,295

Geographic Breakdown of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986	Fiscal Year 1987	Fiscal Year 1988
Arkansas	$105,612	$230,691	--
California	120,757	529,960	--
Louisiana	446,040	27,536	--
Maine	4,103	17,795	--
Michigan	-17,391 a/	31,637	--
Minnesota	267,926	1,609,485	--
Mississippi	134,866	377,023	--
Montana	42,097	67,940	--
Nebraska	161,245	67,073	--
North Dakota	2,374,661	1,206,383	--
South Dakota	569,476	647,947	--
Vermont	-162 a/	--	--
Wisconsin	312,918	71,388	--
Undistributed	127,309	--	--
Subtotal (Includes SCS Tech. Assistance)	$4,649,457	$4,884,858	--
Proposed rescission	--	8,166,000	--
Total, Available or Estimate	$4,649,457	$13,050,858	--

a/ Negative obligations represent deobligation of prior year funds.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Emergency Conservation Program

[For necessary expenses to carry into effect the program authorized in sections 401, 402, and 404 of Title IV of the Agricultural Credit Act of 1978 (16 U.S.C. 2201-1105), $10,000,000, to remain available until expended, as authorized by 16 U.S.C. 2204.]

The change deletes the appropriation language for the Emergency Conservation Program since no funds are requested for this program in fiscal year 1988.

Emergency Conservation Program

Appropriation Act, 1987	$10,000,000
Budget Estimate, 1988	--
Decrease in Appropriation	-$10,000,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Emergency cost-sharing and technical assistance to farmers	$10,000,000 a/	-$10,000,000	--

a/ A request has been submitted to the Congress to rescind $10,000,000.

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Emergency cost-sharing and technical assistance to farmers	$5,000,000	--	--	--
Proposed rescission	--	$10,000,000	-$10,000,000	--
Total, appropriation or estimate	$5,000,000	$10,000,000	-$10,000,000	--

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Emergency cost-sharing and technical assistance to farmers	$6,765,307	$8,348,792	-$8,348,792	--
Unobligated balance brought forward from prior years	-10,114,099	-3,348,792	+8,348,792	--
Unobligated balance carried forward to next year	8,348,792	--	--	--
Proposed rescission	--	10,000,000	-10,000,000	--
Total, appropriation or estimate	$5,000,000	$10,000,000	-$10,000,000	--

EXPLANATION OF PROGRAM

The appropriation "Emergency Conservation Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Agricultural Credit Act of 1978 (P.L. 95-334). Under the program the Government shares the cost of carrying out approved practices to assist and encourage farmers to rehabilitate farmland damaged by natural disasters.

Assistance is available when, as a result of wind, floods, hurricanes or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage that is unusual in character and, except for wind erosion, is not the type that would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use. Also, payments may be made to agricultural producers who carry out emergency water conservation or water enhancing measures during periods of severe drought as determined by the Deputy Administrator, State and County Operations, ASCS.

Cost-sharing may be offered for emergency conservation measures only to replace or restore a practice or to restore the land to a condition similar to that existing prior to the natural disaster, and may not be offered for the solution of conservation problems existing prior to the disaster involved.

Emergency conservation measures or practices for which cost-sharing may be authorized are:

Practice EC1. Removing debris from farmland, including farmsteads and roadways.

Practice EC2. Grading, shaping, releveling or similar measures to restore farmland.

Practice EC3. Restoring permanent fences.

Practice EC4. Restoring structures and other installations.

Practice EC5. Emergency wind erosion control measures.

Practice EC6. Drought emergency measures.

Practice EC7. Other emergency conservation measures.

Practices EC1 through EC5 are subject to approval by the ASC county committee. Practices EC6 and EC7 additionally require prior approval by the Deputy Administrator, State and County Operations.

Due to the need for fiscal restraint, a rescission of $10,000,000 is requested in fiscal year 1987.

JUSTIFICATION OF DECREASE

A decrease of $10,000,000 for Emergency Conservation Program payments for cost-sharing and technical assistance to farmers ($10,000,000 available in fiscal year 1987).

Need for Change. Funds are currently available to assist farmers with damage from recent natural disaster. Since no additional needs are known at this time and because of the need to reduce the Federal deficit, no funding is proposed for this program in FY 1988.

Nature of Change. No new activity will be initiated under this program. Existing contracts for which funds were previously obligated will be honored.

The following tables show (a) outlays by State, fiscal year 1986 and (b) geographic breakdown of obligations for fiscal years 1986-88.

Emergency Conservation Program
Fiscal Year 1986 Outlays by State

State	Outlays
Alabama	$1,051,030
California	443,686
Colorado	437,037
Georgia	161,776
Hawaii	97,742
Idaho	33,579
Illinois	37,856
Indiana	19,096
Iowa	71,325
Maine	26,135
Maryland	6,000
Massachusetts	15,399
Michigan	59,717
Mississippi	358,259
Missouri	18,111
Montana	124,133
Nebraska	275
Nevada	195,735
New Mexico	399,033
New York	2,106
Ohio	1,632
Oklahoma	165
Oregon	2,930
Pennsylvania	113,010
South Carolina	3,263
South Dakota	91,607
Texas	85,860
Utah	202,873
Virginia	965,548
Washington	12,524
West Virginia	1,977,798
Wisconsin	21,620
Wyoming	62,104
Undistributed	4,044
TOTAL	$7,103,008

Emergency Conservation Program
Geographic Breakdown Of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986	Fiscal Year 1987	Fiscal Year 1988
Alabama	$1,027,031	--	--
Arizona	6,552	--	--
California	755,276	$1,957,721	--
Colorado	202,460	169,186	--
Connecticut	433	1	--
Georgia	160,566	315,184	--
Hawaii	97,742	514	--
Idaho	17,257	245,244	--
Illinois	8,560	36,535	--
Indiana	14,453	10,115	--
Iowa	104,906	404,070	--
Kansas	--	250,000	--
Maine	22,429	9,723	--
Maryland	10,000	20,000	--
Massachusetts	-12,365	2	--
Michigan	140,240	869,351	--
Mississippi	262,037	2,788	--
Missouri	4,676	1,314,469	--
Montana	-108,398	675,147	--
Nebraska	52,721	39,554	--
Nevada	217,419	67,430	--
New Jersey	4,301	299	--
New Mexico	130,793	151,417	--
New York	5,199	20,234	--
North Carolina	32,046	--	--
Ohio	--	67,954	--
Oklahoma	-1,275	630,000	--
Oregon	31,107	1,042	--
Pennsylvania	25,146	23,932	--
South Carolina	--	100,000	--
South Dakota	29,054	53,082	--
Texas	-31,755	17,300	--
Utah	92,314	135,298	--
Vermont	--	12	--
Virginia	1,037,339	213,642	--
Washington	39,220	11,195	--
West Virginia	2,383,651	464,639	--
Wisconsin	11,154	11,157	--
Wyoming	-57,142	--	--
Subtotal (includes SCS Tech. Assistance)	6,765,307	8,348,792	--
Proposed Rescission	--	10,000,000	--
Total, Available or Estimate	$6,765,307	$18,348,792	--

NOTE: Negative obligations represent deobligation of prior years' funds.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Forestry Incentives Program

[For necessary expenses, not otherwise provided for, to carry out the program of forestry incentives, as authorized in the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2101), including technical assistance and related expenses, $11,891,000, to remain available until expended, as authorized by that Act.]

The change deletes the appropriation language for the Forestry Incentives Program since no funds are proposed for this program in fiscal year 1988.

Forestry Incentives Program

Appropriations Act, 1987	$11,891,000
Budget Estimate, 1988	--
Decrease in Appropriation	-$11,891,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Cost-sharing and technical assistance to landowners	$11,891,000	-$11,891,000	--

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Cost-sharing and technical assistance to landowners	$11,891,000	$11,891,000	-$11,891,000	--
Total, appropriation or estimate	$11,891,000	$11,891,000	-$11,891,000	--

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Cost-sharing and technical assistance to landowners	$11,024,863	$13,605,097	-$13,605,097	--
Unobligated balance brought forward from prior years	-847,960	-1,714,097	+1,714,097	--
Unobligated balance carried forward to next year	1,714,097	--	--	--
Total, appropriation or estimate	$11,891,000	$11,891,000	-$11,891,000	--

EXPLANATION OF PROGRAM

The appropriation "Forestry Incentives Program" of the Agricultural Stabilization and Conservation Service funds the activities authorized by the Cooperative Forestry Assistance Act of 1978. Its purpose is to encourage the development, management, and protection of nonindustrial, private forest lands to increase the production of timber and enhance other forest resources.

The program is carried out through annual and long-term cost-sharing agreements with private landowners who improve a stand of forest trees or plant trees.

Under the 1987 program, cost-sharing will be provided to improve timberstand on approximately 39,300 acres and to plant trees on approximately 169,100 acres of forest.

JUSTIFICATION OF DECREASE

A decrease of $11,891,000 for cost-sharing and technical assistance to landowners ($11,891,000 available in fiscal year 1987).

Need for Change. No funding is proposed for this program in 1988 due to the need to reduce the Federal deficit. Also this proposal is consistent with the Administration's policy of privatization since the potential for a long-term timber shortage has been reduced and is not sufficient to justify the current use of scarce Federal resources in an industry where the rate of return on investment is substantial enough to attract private investors.

Nature of Change. No new activity will be initiated under this program. Practices for which funds were previously obligated will be completed. Existing long-term agreements will be honored.

The following tables show (a) outlays for fiscal year 1986 and (b) geographic breakdown of obligations for fiscal years 1986-88.

Forestry Incentives Program
Fiscal Year 1986 Outlays by State

State	Outlays
Alabama	$1,062,507
Arizona	1,775
Arkansas	710,788
California	118,196
Colorado	12,204
Connecticut	2,925
Delaware	53,667
Florida	1,021,690
Georgia	1,329,439
Idaho	34,784
Illinois	37,784
Indiana	68,039
Iowa	25,180
Kansas	3,290
Kentucky	81,099
Louisiana	552,181
Maine	28,116
Maryland	140,628
Massachusetts	32,126
Michigan	71,730
Minnesota	68,537
Mississippi	877,779
Missouri	83,620
Montana	8,787
Nebraska	2,398
Nevada	9,439
New Hampshire	37,293
New Jersey	757
New Mexico	428
New York	82,092
North Carolina	550,245
North Dakota	1,698
Ohio	145,245
Oklahoma	83,094
Oregon	490,831
Pennsylvania	95,448
Puerto Rico	30,380
Rhode Island	2,378
South Carolina	935,950
South Dakota	8,475
Tennessee	169,502
Texas	425,197
Vermont	45,070
Virginia	677,389
Washington	437,899
West Virginia	46,147
Wisconsin	188,118
Wyoming	62,741
Undistributed	129
ASCS, Subtotal	10,955,214
FS Technical Assistance	285,800
TOTAL	$11,241,014

Forestry Incentives Program
Geographic Breakdown of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986	Fiscal Year 1987	Fiscal Year 1988
Alabama	$958,438	$1,451,046	--
Arizona	-421	421	--
Arkansas	708,386	677,242	--
California	-2,006	298,033	--
Colorado	17,710	27,957	--
Connecticut	4,971	33,486	--
Delaware	6,239	86,929	--
Florida	911,908	1,084,243	--
Georgia	1,350,451	1,275,175	--
Idaho	34,762	34,238	--
Illinois	47,139	60,855	--
Indiana	66,618	95,448	--
Iowa	13,166	17,351	--
Kansas	2,300	12,150	--
Kentucky	66,982	63,659	--
Louisiana	477,196	711,755	--
Maine	36,735	51,297	--
Maryland	114,053	118,540	--
Massachusetts	30,752	47,396	--
Michigan	81,411	82,853	--
Minnesota	45,764	129,281	--
Mississippi	723,431	763,273	--
Missouri	68,803	58,683	--
Montana	9,630	24,193	--
Nebraska	1,367	10,864	--
Nevada	1,144	12,856	--
New Hampshire	32,475	35,533	--
New Jersey	942	24,884	--
New Mexico	4,200	25,056	--
New York	67,559	85,736	--
North Carolina	543,608	712,678	--
Ohio	130,428	151,257	--
Oklahoma	96,308	84,047	--
Oregon	503,620	487,848	--
Pennsylvania	68,614	97,902	--
Puerto Rico	16,086	40,501	--
Rhode Island	1,400	13,160	--
South Carolina	1,042,949	975,515	--
South Dakota	8,215	16,999	--
Tennessee	130,532	174,475	--
Texas	357,428	616,313	--
Vermont	39,497	37,815	--
Virginia	690,391	713,122	--
Washington	305,568	334,409	--
West Virginia	53,328	50,730	--
Wisconsin	169,903	203,997	--
Wyoming	46,661	53,918	
ASCS, Subtotal	10,086,641	12,165,119	--
FS Technical Assistance	938,222	1,440,379	--
Total, Available or Estimate	$11,024,863	$13,605,498	--

NOTE: Negative obligations represent deobligation of prior years' funds.

Rural Clean Water Program

Appropriation Act, 1987	--
Budget Estimate, 1988	--
Change in Appropriation	--

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Cost-sharing and technical assistance to farmers	--	--	--

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Cost-sharing and technical assistance to farmers	--	--	--	--
Total, appropriation or estimate	--	--	--	--

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Cost-sharing and technical assistance to farmers	$14,004,639	--	--	--
Unobligated balance brought forward from prior years	-16,635,093	-2,630,454	+2,630,454	--
Unobligated balance carried forward to next year	2,630,454	--	--	--
Recovery of prior year obligations	--	-3,369,546	+3,369,546	--
Proposed rescission	--	6,000,000	-6,000,000	--
Total, appropriation or estimate	--	--	--	--

EXPLANATION OF PROGRAM

The experimental Rural Clean Water Program is authorized by the Agriculture, Rural Development and Related Agencies Appropriation Acts of 1980 (P.L. 96-108) and 1981 (P.L. 96-528).

A $50 million appropriation was provided in fiscal year 1980, and $20 million was added in fiscal year 1981, to remain available until expended. The purpose of the program is to develop and test means of controlling agricultural nonpoint source water pollution in rural areas. It provides long-term financial and technical assistance to landowners and operators to improve water quality and meet water quality goals. Under the program, participants agree to install and maintain practices as specified in an approved water quality plan. The effectiveness of the practices in reducing identified pollutants entering a stream or lake or leaving their source is evaluated. Federal technical assistance is provided by the Soil Conservation Service, Forest Service, Economic Research Service, and the Environmental Protection Agency. Nonfederal technical assistance is provided by local agencies and/or conservation districts.

The experimental program encompasses 21 project areas, which contain a multiplicity of pollution-causing materials (nutrients/fertilizers, toxics/pesticides, organics/bacteria, sediment, dissolved solids, etc.). Recommended project areas were developed by local and State committees and approved by the Secretary of Agriculture in consultation with the Administrator of the Environmental Protection Agency.

Full funding is provided for all projects on a current dollar basis. Application of the construction cost index (from the Department of Commerce Composite of Construction Cost Index, Bureau of the Census, Construction Statistics Division) to the original approvals is used to project future budgetary requirements. Due to a decline in the inflation rate from 15 percent to 5 percent, and also to a lower level of farmer participation, revised cost estimates, assuming a relatively stable inflation rate, indicate that approximately $64 million is sufficient to complete the 21 RCWP projects.

Rescission of the remaining $6 million is proposed in fiscal year 1987.

The following tables show (a) outlays by State, fiscal year 1986, (b) estimated costs by project, and (c) geographic breakdown of obligations for fiscal years 1986-1988.

Rural Clean Water Program
Fiscal Year 1986 Outlays by State

State	Outlays
Alabama	$241,350
Delaware	43,755
Florida	262,645
Idaho	694,245
Illinois	691,991
Iowa	88,322
Kansas	211,227
Kentucky	161,725
Louisiana	510,329
Maryland	653,869
Massachusetts	66,996
Michigan	271,487
Minnesota	358,173
Nebraska	299,407
Oregon	595,226
Pennsylvania	434,980
South Dakota	380,335
Tennessee	468,311
Utah	6,517
Vermont	492,566
Virginia	344,282
Wisconsin	217,195
Undistributed	-52,636
TOTAL	$7,442,297

Rural Clean Water Program Projects

Project	Location	Estimated Costs	Status
Lake Tholocco	Alabama	$1,935,227	Implemented in 1980. 80% of its critical acres and 94% of its best management practice (BMP) funds are under contract.
Appoquinimink	Delaware	1,155,304	Implemented in 1980. 87% of its critical acres and 94% of its BMP funds are under contract.
Taylor Creek-Nubbin Slough	Florida	1,639,943	Implemented in 1981. 87% of its critical acres and 89% of its BMP funds are under contract.
Rock Creek	Idaho	4,988,811	Implemented in 1980. 77% of its critical acres and 91% of its BMP funds are under contract. Selected as one of five comprehensive monitoring and evaluation (CM&E) projects.
Highland Silver Lake	Illinois	3,924,374	Implemented in 1980. 82% of its critical acres and 97% of its BMP funds are under contract. A CM&E project.
Prairie Rose Lake	Iowa	742,263	Implemented in 1980. 83% of its critical acres and 89% of its BMP funds are under contract.
Upper Wakarusa	Kansas	2,190,163	Implemented in 1980. Has been terminated.
Reelfoot Lake	Kentucky	956,265	Implemented in 1980. 64% of its critical acres and 94% of its BMP funds are under contract.
Bonne Idee	Louisiana	5,538,689	Implemented in 1980. 74% of its critical acres and 99% of its BMP funds are under contract.

Project	Location	Estimated Costs	Status
Double Pipe Creek	Maryland	$7,852,976	Implemented in 1980. 98% of its critical acres and 89% of its BMP funds are under contract.
Westport River	Massachusetts	913,511	Implemented in 1981. 61% of its critical acres and 65% of its BMP funds are under contract.
Saline Valley	Michigan	2,807,575	Implemented in 1980. 34% of its critical acres and 82% of its BMP funds are under contract.
Garvin Brook	Minnesota	1,924,515	Implemented in 1981. 61% of its critical acres and. 95% of its BMP funds are under contract.
Long Pine Creek	Nebraska	2,430,931	Implemented in 1981. 78% of its critical acres and 70% of its BMP funds are under contract.
Tillamook Bay	Oregon	4,168,107	Implemented in 1981. 88% of its critical acres and 99% of its BMP funds are under contract.
Conestoga Headwaters	Pennsylvania	3,195,193	Implemented in 1981. 34% of its critical acres and 75% of its BMP funds are under contract. A CM&E project.
Oakwood-Lake Poinsett	South Dakota	3,536,779	Implemented in 1981. 54% of its critical acres and 60% of its BMP funds are under contract. A CM&E project.
Reelfoot Lake	Tennessee	4,384,301	Implemented in 1980. 52% of its critical acres and 60% of its BMP funds are under contract.
Snake Creek	Utah	338,932	Implemented in 1980. 100% of its critical acres and 100% of its BMP funds are under contract.

Project	Location	Estimated Costs	Status
St. Albans Bay	Vermont	$4,269,403	Implemented in 1980. 74% of its critical acres and 97% of its BMP funds are under contract. A CM&E project.
Nansemond-Chuckatuck	Virginia	2,391,540	Implemented in 1981. 80% of its critical acres and 96% of its BMP funds are under contract.
Lower Manitowoc	Wisconsin	2,715,198	Implemented in 1980. 64% of its critical acres and 93% of its BMP funds are under contract.
	TOTAL	$64,000,000 1/	

1/ Includes funds for best management practices, information and education, Federal and nonfederal technical assistance, and comprehensive monitoring and evaluation.

Rural Clean Water Program
Geographic Breakdown of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986 a/	Fiscal Year 1987	Fiscal Year 1988
Alabama	$5,000	--	--
Delaware	53,000	--	--
Florida	191,102	--	--
Idaho	815,500	--	--
Illinois	244,057	--	--
Iowa	3,000	--	--
Kansas	-84,636	--	--
Kentucky	-249,436	--	--
Louisiana	532,500	--	--
Maryland	9,936,859	--	--
Massachusetts	88,000	--	--
Michigan	157,953	--	--
Minnesota	12,500	--	--
Nebraska	194,112	--	--
Oregon	440,239	--	--
Pennsylvania	75,127	--	--
South Dakota	674,369	--	--
Tennessee	762,193	--	--
Utah	-2,630	--	--
Vermont	207,302	--	--
Virginia	333,000	--	--
Wisconsin	325,014	--	--
Undistributed:	-709,486	--	--
Subtotal	14,004,639	--	--
Proposed rescission	--	$6,000,000	--
Total, Available or Estimate	$14,004,639	$6,000,000	--

a/ Negative obligations represent deobligation of prior year obligations.

Rural Clean Water Program
Geographic Breakdown of Obligations
Fiscal Year 1986 and Estimated Fiscal Years 1987 and 1988

State	Fiscal Year 1986 a/	Fiscal Year 1987	Fiscal Year 1988
Alabama	$5,000	--	--
Delaware	53,000	--	--
Florida	191,102	--	--
Idaho	815,500	--	--
Illinois	244,057	--	--
Iowa	3,000	--	--
Kansas	-84,636	--	--
Kentucky	-249,436	--	--
Louisiana	532,500	--	--
Maryland	9,936,859	--	--
Massachusetts	38,000	--	--
Michigan	157,953	--	--
Minnesota	12,500	--	--
Nebraska	194,112	--	--
Oregon	440,239	--	--
Pennsylvania	75,127	--	--
South Dakota	674,369	--	--
Tennessee	762,193	--	--
Utah	-2,630	--	--
Vermont	207,302	--	--
Virginia	333,000	--	--
Wisconsin	325,014	--	--
Undistributed:	-709,486	--	--
Subtotal	14,004,639	--	--
Proposed rescission	--	$6,000,000	--
Total, Available or Estimate	$14,004,639	$6,000,000	--

a/ Negative obligations represent deobligation of prior year obligations.

COMMODITY CREDIT CORPORATION

Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly-owned Government corporation created in 1933 to stabilize, support, and protect farm income and prices; to help maintain balanced and adequate supplies of agricultural commodities, including products, foods, feeds, and fibers; and to help in the orderly distribution of these commodities. CCC was originally incorporated under a Delaware charter and was reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948 (15 U.S.C. 714).

The principal operations conducted by CCC are support programs for agricultural commodities. These include the storage, handling, and disposition of commodities acquired under the programs; and set-aside or acreage reduction, loan deficiency, deficiency, disaster, and/or diversion payment programs for feed grains, wheat, rice, and cotton, certificate programs, a conservation reserve program, and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480), which are financed by appropriations authorized by statutes providing for these activities. Under section 4(a) of the Food for Peace Act of 1966, as amended, CCC may finance short-term export credit sales on credit terms not to exceed three years under the Export Credit Sales Program. The Corporation is also authorized by section 4(b) of the Food for Peace Act of 1966, as amended, to finance intermediate-term export credit sales in excess of three years, but not more than 10 years. The Corporation is also authorized under its charter authority to enter into export guarantee financing arrangements with respect to exported commodities.

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of seven members, in addition to the Secretary, who are appointed by the President of the United States with the advice and consent of the Senate. Officers of the Corporation are designated according to their positions in the Department of Agriculture. The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation (ASC) State and county committees. The General Sales Manager, the Foreign Agricultural Service, other agencies and offices of the Department, and commercial agents are also used to carry out certain phases of the Corporation's activities.

ASCS administers CCC's activities through its headquarters offices in Washington, D.C., and the Kansas City field offices.

The ASC State and county committees carry out certain support and related activities of the Corporation within the States and counties. There are 50 State offices, an insular area office in Puerto Rico, and approximately 2,800 county offices. The ASC State committees supervise the activities of the ASC county committees in their respective States.

FINANCING

Borrowing Authority

The Corporation has an authorized capital stock of $100 million held by the United States, with the authority to have outstanding borrowings of up to $25 billion at any one time. P.L. 95-279, approved May 15, 1978, increased the statutory borrowing authority to $25 billion, to the extent provided in appropriation acts. The FY 1982 supplemental appropriation act, P.L. 97-257, increased the availability to $25 billion. The President's FY 1988 Budget

includes proposed legislation for later transmittal to increase CCC's borrowing authority from the current $25 billion to $40 billion to provide for the more orderly, continued financing of CCC programs. This proposal is consistent with recommendations of the Conferees contained in the Conference Report on the FY 1987 Omnibus Continuing Resolution.

Funds are borrowed from the Treasury and may also be borrowed from private lending agencies and others. The Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made by such agencies and others. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4). Reservation of borrowing authority for these purposes has not been required for many years.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest may also be paid on other notes and obligations at a rate prescribed by the Commodity Credit Corporation and approved by the Secretary of the Treasury.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after the end of the fiscal year in which such losses are realized.

Contract Authority

Support and other programs required by statute may result in the Corporation's incurring obligations in excess of available funds or borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds which may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the contract authority.

Appropriations

Reimbursement for net realized losses

Under Public Law 87-155 (15 U.S.C. 713a-11, 713a-12), annual appropriations are authorized for each fiscal year, commencing with fiscal year 1961. These appropriations are to reimburse the Corporation for net realized losses.

National Wool Act

Under section 705 of the National Wool Act, as amended (7 U.S.C. 1781-1787), a permanent appropriation is made to reimburse the Corporation for amounts expended during the preceding fiscal year and for amounts expended in prior fiscal years not previously reimbursed. This appropriation may not exceed 70 percent of the gross receipts from duties collected on wool and wool manufactures during the calendar year preceding the fiscal year.

Available Funds: 1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual	1987 Estimated	1988 Estimated
Commodity Credit Corporation:			
Support and related programs:			
Reimbursement for net realized losses	$24,932,926,000	$26,461,995,000 a/	$21,133,658,000 b/
Reimbursement to CCC, National Wool Act	109,365,000	122,689,000	131,239,000
Total Commodity Credit Corporation	$25,042,291,000	$26,584,684,000	21,264,897,000

a/ Includes proposed supplemental of $6,653,189,000 to be reimbursed through permanent, indefinite appropriation from Treasury.

b/ Proposed to be reimbursed through permanent, indefinite appropration from Treasury.

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

(thousands of dollars)

		1986	1987	1988
22	Transportation of things.....	$579,245	$571,132	$594,007
25	Other services.....	749,848	1,226,172	1,308,268
	Storage and handling.....	1,055,188	2,140,214	2,426,344
26	Supplies and materials (cost of commodities sold or donated):			
	Foreign Assistance Programs.....	1,162,621	1,155,198	1,089,300
	Other.....	4,443,252	9,514,778	4,099,422
	Equipment.....	61,618	42,500	15,705
33	Investments and loans.....	17,719,272	17,803,235	13,495,311
41	Grants, subsidies, and contributions	10,484,282	9,915,385	11,537,520
43	Interest and dividends.....	1,685,315	1,831,875	1,794,319
99	Total obligations.....	37,940,541	44,200,489	36,361,196

COMMODITY CREDIT CORPORATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Reimbursement For Net Realized Losses

[To reimburse] For reimbursement to the Commodity Credit Corporation for net realized losses sustained or anticipated, but not previously reimbursed, such sums as may be necessary are available in this and subsequent years, [pursuant to] as authorized by the Act of August 17, 1961 (15 U.S.C. 713a-11, 713a-12) [$16,808,806,000, and in addition $3,000,000,000 which shall be available only to the extent an official budget request is transmitted to the Congress, such funds to be available, together with other resources available to the Corporation, to finance the Corporation's programs and activities during fiscal year 1987: Provided, That of the foregoing amount, not to exceed the following amounts shall be available for the following programs: export guaranteed loan claims, $683,350,000; conservation reserve program, $700,000,000; export enhancement program, $667,000,000; Federal crop insurance program, $375,000,000; targeted export assistance program, $325,000,000; storage facility loan program under section 4(h) of the Commodity Credit Corporation Charter Act, $100,000,000; and interest payments to the United States Treasury, $1,932,000,000].

Short-Term Export Credit

The Commodity Credit Corporation shall make available not [less] more than [$5,000,000,000] $3,000,000,000 in credit guarantees under its export credit guarantee program for short-term credit extended to finance the export sales of United States agricultural commodities and the products thereof, as authorized by section 1125(b) of the Food Security Act of 1985 (Public Law 99-198).

Intermediate Export Credit

The Commodity Credit Corporation shall make available not [less] more than $500,000,000 in credit guarantees under its export guarantee program for intermediate-term credit extended to finance the export sales of United States agricultural commodities and the products thereof, as authorized by section 1131(3)(B) of the Food Security Act of 1985 (Public Law 99-198).

The first change makes the grammatical change required to include the second and third changes.

The second change is proposed in conjunction with the first language change to facilitate the reimbursement of anticipated CCC realized losses that have not yet occurred in the event reimbursement of actual losses sustained is not sufficient to enable the Corporation to continue its activities.

The third change is proposed to provide permanent, indefinite budget authority to reimburse the Corporation for net realized losses. This appropriation is for activities that have or will be accomplished with prior approval of the Congress. A current, definite appropriation is unnecessary since any adjustment to the reimbursement would have no effect on amounts already expended. Therefore, a permanent, indefinite appropriation is most suitable for this type of account.

The fourth change is proposed to delete the limitations on the use of Commodity Credit Corporation funds that were included in the FY 1987 appropriation language. The $16.8 billion appropriation was for restoration of realized losses. These appropriations restore borrowing authority, from which CCC outlays/program payments are made. The appropriation limitations have the effect of allocating CCC appropriations for losses to specific CCC programs

which could involve both the outlay of CCC funds and/or CCC losses. Language that would set a dollar or other ceiling on these programs would also be in conflict, for certain of these programs, with otherwise valid contractual obligations of CCC. Furthermore, in accordance with the law, a separate Conservation Reserve Program (CRP) appropriation for advance to the CCC is proposed beginning in FY 1988. A limitation on this program is better addressed within Congressional appropriations for that line item, since, beginning in FY 1988, CRP outlays will be financed by the CRP appropriation, not CCC.

The fifth change is proposed to eliminate the floor for the short-term export credit guarantee program. A new limitation, which would reduce the program level in FY 1938, is proposed. This is consistent with the change in authorizing legislation also proposed within the President's 1983 budget.

The sixth change is proposed to eliminate the floor for the intermediate-term export guarantee program and establish the maximum guarantee program level at $500,000,000.

Reimbursement for Net Realized Losses

Appropriation Act, 1987	$19,808,306,000
Budget Estimate, 1988	21,133,658,000
Increase in Appropriation	+1,324,852,000

Adjustments in 1987:		
1987 Proposed Supplemental	+6,653,189,000	a/
Adjusted base for 1987		26,461,995,000
Budget Estimate, 1988		21,133,658,000
Decrease over adjusted 1987		-5,328,337,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Change	1988 Estimated
Reimbursement of losses:	b/		
Balance of 1986 actual losses	$2,405,056,000	-$2,405,056,000	---
1987 estimated losses	24,056,939,000	-20,512,316,000	$3,544,623,000
1988 estimated losses	---	+17,589,035,000	17,589,035,000
TOTAL AVAILABLE	26,461,995,000 c/	-5,328,337,000	21,133,658,000 a/

PROJECT STATEMENT
(On basis of adjusted appropriation)

Item	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Reimbursement of losses:				
Appropriation.	$24,932,926,000	$26,461,995,000 c/	-$5,328,337,000	$21,133,658,000 a/

a/ Proposed to be reimbursed through permanent, indefinite appropriation from Treasury.

b/ Total realized losses for FY 1986 were $19,998,006,000. $17,592,950,000 was reimbursed in FY 1986 leaving a balance of $2,405,056,000, which was reimbursed in the FY 1987 appropriation act.

c/ Includes proposed supplemental of $6,653,189,000 to be reimbursed through permanent, indefinite appropriation from Treasury.

EXPLANATION OF PROGRAM

USDA Goals and Objectives

The USDA goal is to assure that farmers and ranchers have the opportunity to earn incomes that are comparable with the returns elsewhere in the economy, and thereby assure supplies of agricultural products which are adequate to meet domestic and export demand at reasonable prices to consumers.

The primary objective is to achieve this goal through an approach that retains basic management responsibilities of farmers, provides for the maintenance of adequate food reserves, provides prices reasonable to consumers and competitive in world markets, and minimizes Federal interference in the agricultural economy.

Provisions of the Program

The programs of the Commodity Credit Corporation cover a wide range of operations.

A. The Commodity Credit Corporation is operated by the Agricultural Stabilization and Conservation Service of the Department of Agriculture.

   1. Its functions are performed primarily by ASCS employees.

   2. It is a corporate entity with commercial-type operations primarily related to the support of farm prices, but its budget processes must fit not only its own unique characteristics but also the processes used in formulating and executing the overall U.S. Budget.

   3. Its operations are closely related to and affected by the operations of other programs financed from other funds - such as Section 32 and School Lunch Programs, and commodity donations under Title II of P.L. 480.

   4. Its resources are utilized to carry out a variety of program objectives not strictly related to support operations.

      Some of these objectives are the responsibility of agencies other than the Agricultural Stabilization and Conservation Service.

B. CCC operations are unique in many ways.

   1. The primary aim of CCC is to assist in stabilizing, supporting, and protecting farm income and prices and to help maintain balanced and adequate supplies of agricultural commodities.

   2. CCC operates under a large number of statutory directives and limitations and has broad charter powers, authorizing it to carry out almost any operation required to meet these objectives, including:

a. Buying	d. Donating	g. Transporting
b. Selling	e. Lending	h. Making payments
c. Bartering	f. Storing	i. Other activities

   3. The major activity is support of prices as required or authorized by existing law.

      a. Under existing law, support of farm prices is accomplished through nonrecourse loans (regular and reserve), payments (both cash and in-kind), and purchases from farmers or processors.

b. Under existing law, CCC is required to support the price of corn, cotton, wheat, rice, peanuts, tobacco, dairy products, honey, barley, oats, rye, grain sorghum, sugar, and soybeans at levels provided for by law. CCC has to make an offer, open to all producers, to make loans upon or purchase any quantity of these commodities produced which meet eligibility requirements. Eligibility requirements include grade, moisture content, adequacy of storage and compliance with acreage set-aside or acreage reduction provisions, if in effect. Income support in the form of direct payments is also required by law to be available to wool and mohair producers, as well as to feed grain, wheat, cotton and rice growers.

c. In addition, CCC may support the prices of other commodities at the discretion of the Secretary.

4. CCC has no control over the volume of business it must handle. The relationship of the market price for each commodity to the support price largely determines the volume of that commodity which will be placed under loan or acquired by the CCC. This in turn is determined by weather conditions, insect damage, use of fertilizers, and all other factors influencing production, and by already existing supplies, domestic and export demand, and other factors affecting the market. Dispositions of inventory are governed by the same set of economic factors. These circumstances can cause tremendous variations over relatively short periods in the volume of CCC support operations.

5. CCC also carries out storage facilities activities through contracts with warehousemen, commodity export programs, and other activities. Support operations and resultant inventory management account for the bulk of the total workload.

6. The President's Budget includes legislative proposals to modify the current provisions of the CCC price support and related programs. Included among the proposals being considered is a reduction in statutorily mandated target prices, elimination of a requirement to plant a program crop in order to receive a deficiency payment, and revisions in the sugar program.

Preliminary estimates of the potential impact of the proposed modifications which are reflected in the budget are subject to change as the proposals are more fully developed. Since most changes would not have a significant impact on current 1987 crops, the related savings would not result in significant reductions in net expenditures until after FY 1988. The budget reflects savings from these legislative proposals of over $20 billion during the FY 1988-1992 period.

7. Conservation Reserve Program

Up to 45 million acres of highly erodible land are authorized for protection under the CRP. In exchange for entering land into the reserve, program participants receive annual rental payments in cash or commodities, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage. During FY 1986, 8.5 million 1986 and 1987 crop acres were enrolled in the reserve. A minimum enrollment of approximately 5.5 million acres is anticipated in fiscal year 1987 for crop year 1987, making total participation for crop years 1986 and 1987 at least 15 million acres. Also, additional acres may be enrolled in advance during fiscal year 1987 for crop year 1988.

Cash outlays for the CRP in fiscal year 1987 are projected at $700 million--$687 million for the Federal share of vegetative cover costs for acreage signed up for crop years 1986 and 1987, and $13 million for the technical services of the Soil Conservation Service, Forest Service and other appropriate agencies. Rental payments on the 2.0 million 1986 crop acres enrolled in FY 1986 are being paid with CCC commodity certificates in FY 1987. The following table provides a summary of the program level and expenditures for fiscal years 1986 and 1987, which were funded under CCC in accordance with provisions of the Food Security Act of 1985. Additional details on the fiscal year 1988 program, which is proposed to be funded in advance by separate appropriation to the CCC, is provided under the FY 1988 Conservation Reserve Program request elsewhere in these notes.

Program Level and Expenditures in FY 1986 and 1987.

Item of Change	1986 Actual	1987 Estimated
Annual rental payments:.....		
Cash	---	---
CCC commodity certificates.	---	$86,000,000 a/
Total rental payments	---	$86,000,000
Cost-sharing assistance	$12,428,878	687,000,000
Technical assistance	10,772,234	13,000,000
Total program level	23,201,112	786,000,000
Deduct:		
Financing by CCC commodity certificates	---	-86,000,000
Liquidated damages.....	-55,190	---
Total expenditures	$23,145,922	$700,000,000

a/ Excludes an estimated $180 million for "bonus" payments paid in CCC commodity certificates for corn base acreage enrolled in the CRP, as announced January 20, 1987.

8. There are several characteristics of CCC operations which are important in analyzing its budget problems and processes.

   a. CCC deals with millions of producers and utilizes the services of thousands of banks, processors, carriers, exporters, handlers, warehousemen, and others.

   b. CCC operations involve the handling of millions of documents and transactions during a 12-month period.

   c. CCC workload cannot be deferred. Commodities must be moved, producer payments must be made, warehouse and freight charges must be paid, claims must be settled, and loans must be made and liquidated.

   d. The manner in which CCC inventories of individual commodities are handled and merchandised is of key importance to both domestic and foreign markets.

   e. Operating policies directly affect the day-to-day business operations of the many thousands of warehouses, elevators, handlers, processors, banks, exporters, importers, carriers, cooperatives, and others with which business dealings are conducted.

f. Trade customs and practices with respect to individual commodities must be observed in operations.

g. To support prices, CCC generally makes nonrecourse loans to producers which bear no interest if the borrower does not repay them, and which are fully settled by delivery of the commodity to CCC at maturity of the loans. Effective with the 1986 crop, the Secretary of Agriculture has the authority to permit commodity loan repayments at less than the original loan principal, the so-called "marketing loan" provision.

h. CCC operations are big:

(1) The Corporation has an authorized capital stock of $100 million held by the United States and authority to have outstanding borrowings of up to $25 billion at any one time. Its capital structure is replenished each year by appropriations to restore realized losses on support operations and to reimburse costs of other programs.

(2) Its commodity loans and purchases in fiscal year 1986 amounted to $21.6 billion. $1.5 billion of total purchases was for commodity certificates transferred from the loan account. These certificate purchases represent a required accounting transaction to show the effect on inventory of certificate payments to producers used to redeem outstanding commodity loans. The associated reduction in outstanding loans is recorded as a loan repayment receipt, which fully offsets the inventory purchase expenditure. Therefore, no net expenditures result from this required certificate accounting treatment. Sales proceeds totaled $2.5 billion of which $1.4 billion was for commodity certificates. Certificate sales proceeds reflect the certificate issuance value, and like certificate purchases, is a required accounting transaction to show the effect on inventory of certificate redemptions. The Corporation had outstanding loans on commodities of $18.5 billion and owned commodities with a cost value of $11.0 billion on September 30, 1986.

i. Export Loan Guarantees

Under the short-term Export Credit Guarantee Program (GSM-102), CCC guarantees for up to 3-year credit terms payments due U.S. exporters, or their assignees (U.S. financial institutions), from defaults in payments by foreign banks on export credit sales due to commercial as well as noncommercial risks. In FY 1983, CCC instituted the blended credit program which provides for up to 3-year credit terms on a combination of interest-free direct credit under the Export Credit Sales Program (GSM-5) and credit guarantees under the Export Credit Guarantee Program (GSM-102). In FY 1986, an intermediate export credit guarantee program was authorized by the Food Security Act of 1985 for which CCC guarantees exports with credit terms up to 10 years (GSM-103).

The total amount of GSM-102 commitments made in FY 1986 was $2.503 billion. No commitments were recorded for the GSM-103 program because it did not become operational until the final months of FY 1986. As required by the Food Security Act of 1985, the FY 1987 program level is established at $5 billion for the short-term export credit guarantee program (GSM-102) and $500 million for the intermediate export credit guarantee program (GSM-103). Proposed legislation is being submitted to Congress to reduce the FY 1988 short-term export credit guarantee program

level from $5.0 billion mandated by the Food Security Act of 1985 to $3 billion. The proposed legislation will also increase the fees on the short-term export gurantee program from less than one percent to five percent.

j. Direct Export Credit

Under the short-term export credit sales program (GSM-5), CCC provides direct financing on terms not to exceed three years for the commercial sales of agricultural commodities from private stocks. There was no direct credit program in FY 1986 and none is planned for fiscal years 1987 and 1988.

k. Net Expenditures

Commodity Credit Corporation net expenditures for fiscal year 1988, taking into account proposed legislation, are estimated at $21.3 billion, down $4.0 billion from a level of $25.3 billion in fiscal year 1987.

The decrease in projected fiscal year 1988 expenditures from the estimated fiscal year 1987 level occurs because advance payments for the 1987 crops shifted outlays from FY 1988 to FY 1987, and because a larger acreage reduction program is in effect for the 1987 corn crop which will also reduce FY 1988 outlays. Advanced deficiency payments for the 1988 crops are not assumed in the Budget. The following table shows CCC net expenditures by commodity or program for fiscal years 1986 through 1988.

COMMODITY CREDIT CORPORATION

FISCAL YEAR 1988 PRESIDENT'S BUDGET

FY 1986 ACTUAL, FY 1987 AND FY 1988 ESTIMATED NET EXPENDITURES
(thousands of dollars)

Item	FY 1986 ACTUAL	FY 1987 ESTIMATE	FY 1988 ESTIMATE
Feed Grains and Products	$12,211,471	$13,141,251	$10,367,092
Wheat and Products	3,439,686	3,673,639	3,841,325
Rice	947,024	832,684	945,049
Upland Cotton	2,141,918	1,438,867	739,725
Tobacco	253,425	-227,639	-222,206
Honey	89,358	71,763	62,149
Dairy (includes red meat purchases)	2,337,004	1,295,036	1,102,093
Soybeans	1,597,390	819,039	157,820
Sugar	213,607	-351,201	--
Peanuts	32,375	3,887	2,315
Conservation Reserve Program	23,146	700,000	--
Export Guarantee Program	235,247	604,043	641,721
Short-Term & Intermediate Export Credit	-138,296	-66,826	-26,217
Storage Facility	-223,353	-141,338	-32,348
Interest	1,410,736	1,549,981	1,510,539
CCC Operating Expenses	461,516	519,513	537,731
Change in Working Capital	415,715	1,000,000	1,000,000
All Other	270,545	243,844	193,664
Subtotal, Support and Related	25,718,514	25,106,493	20,820,452
Wool	122,689	131,239	143,041
TOTAL Net Expenditures, CCC	25,841,203	25,237,732	20,963,493
Supplemental request for ASCS admin. costs (transfer from CCC)	---	+24,000	---
Supplemetal request for FAS/GSM (transfer from CCC)	---	+705	---
Export guarantee proposed legislation	---	---	-141,567
Farm Bill proposed legislation	---	---	+450,000
Adjusted TOTAL Net Expenditures, CCC	25,841,203	25,262,437	21,271,926

Deficiency, Diversion and Disaster Payments

In fiscal year 1986 these direct payments to producers totaled $8,565.1 million, an increase of $734.2 million from the $7,826.9 million in payments issued in fiscal year 1985. In fiscal year 1986, deficiency and diversion payments were made for the first time in a combination of cash and certificates. Fiscal years 1987 and 1988 estimated payments also include both cash and certificate payments and fiscal year 1987 includes an estimated $400 million in certificates to be issued for disaster payments in accordance with provisions in the FY 1987 Omnibus Continuing Resolution (P.L. 99-500 and P.L. 99-591).

The following table shows CCC deficiency, diversion and disaster payments made in cash and certificates for fiscal years 1986 and through 1988.

COMMODITY CREDIT CORPORATION

Deficiency, Diversion and Disaster Payments Made in Cash and Certificates

Fiscal Years 1986-1988

(thousands of dollars)

	FY 1986 Actual			FY 1987 Estimate			FY 1988 Estimate		
	Cash	Certificates	Total	Cash	Certificates	Total	Cash	Certificates	Total
Deficiency Payments.....	$6,165,573	$1,993,265	$8,158,838	$4,366,485	$3,770,435	$8,136,920	$8,572,625	$142,000	$8,714,625
Diversion Payments.....	64,036	342,234	406,270	502,000	1,532,053	2,034,053	---	---	---
Disaster Payments.....	35	---	35	---	400,000	400,000	---	---	---
Total.....	6,229,644	2,335,499	8,565,143	4,868,485	5,702,488	10,570,973	8,572,625	142,000	8,714,625

ADP ACTIVITIES

ADP in ASCS is integral to the agency's long-range Information Resources Management Plan. The plan calls for the utilization of modern technology wherever it is feasible and cost-beneficial. Most data processing and accounting of CCC programs were previously performed in a large centralized facility in Kansas City, to which most county offices sent copies of transaction documents for recordation. Most work in county and State offices was performed manually. A cost benefit analysis showed that significant savings and increased productivity could be achieved by using automated equipment. A contract award for the automation equipment occurred in fiscal year 1984; delivery and system implementation began in early 1985. Equipment delivery was completed in FY 1986. Most major program applications are expected to be completed by January 1988.

Through the departmental communications network, program information will flow in a timely manner to State offices and Washington, where it will reside in a data base accessible to program specialists. This data base will also contain foreign production and supply and demand information collected by the Foreign Agricultural Service. Thus agency and departmental policymakers will have ready access to the latest information, both foreign and domestic.

A contract is in effect for the development and implementation of a new system for managing government-owned grain. Contractor assistance will be utilized for developing and implementing the processed commodities' inventory system and the proposed automation of tobacco marketing sites.

In carrying out the overall long-range plan described above, CCC capital investments totaling $10,608,000 in fiscal year 1988 will be required, as detailed below. Equipment will be purchased under the statutory authority of the Commodity Credit Corporation Charter Act to support the ASCS Information Resources Management Plan, which includes the joint ASCS-FAS data base. This project will be reassessed regularly at both the agency and department levels to ensure the efficiency of the system and compatibility with department-wide ADP system policies.

CCC funding for hardware enhancements and related capitalized software for the CCC Computer Facility, including components for headquarter and field offices, are estimated at $5,645,000. Mission essential enhancements for SCOAP equipment are estimated at $1,647,000. The remaining $3,316,000 is for the purchase of hardware to complete the proposed automation of tobacco marketing sites, and telephones and various peripherals needed to complete automation for Washington and field offices.

JUSTIFICATION OF INCREASES AND DECREASES
Realized Losses, Fiscal Years 1985 and 1986

Item	Fiscal Year 1985	Increases and Decreases	Fiscal Year 1986
Support and related programs:			
Commodity inventory operations:			
Losses or gain (-) on sales	$627,307,963	+$1,016,376,746 (1)	$1,644,184,709
Domestic donations	1,920,149,740	-600,741,255 (2)	1,319,408,485
Export donations	543,549,396	-144,545,105 (3)	399,003,291
Storage and handling expense	394,189,842	+318,750,622 (4)	712,940,464
Transportation expense	133,919,454	+45,459,715 (5)	179,378,169
Total commodity inventory operations	3,619,614,395	+635,300,723	4,254,915,118
Loans written off	3,643,463	+43,200,138 (6)	45,843,601
Producer storage payments	307,142,773	+35,104,994 (7)	342,247,772
Disaster payments (cash):			
Feed grains	-32,277	+33,667	1,390
Wheat	26,412	-23,170	3,242
Rice	---	---	---
Upland cotton	19,878	+10,513	30,391
Total disaster payments	14,013	+21,010 (8)	35,023
Deficiency payments (cash):			
Corn	2,699,672,020	+2,081,025,063	4,780,697,083
Grain sorghum	232,618,380	+300,507,084	533,125,464
Barley	130,261,572	+155,358,357	285,619,929
Oats	10,072,737	+40,620,617	50,693,354
Wheat	1,429,472,490	+1,294,907,657	2,724,380,147
Rice	409,997,592	+52,768,167	462,765,759
Upland cotton	334,285,256	+63,455,810	897,741,066
Extra long staple cotton	1,987,056	-21,090	1,965,966
Total deficiency pymts.-cash	5,748,367,103	+3,988,621,665 (9)	9,736,938,768
Diversion payments (cash):			
Corn	2,276,212	-1,620,520	655,692
Grain sorghum	630,905	-354,856	276,049
Barley	36,718	-17,234	19,484
Oats	9,738	+7,800	17,538
Wheat	633,485,837	-636,760,540	-3,274,703
Rice	96,117,565	-100,447,389	-4,329,824
Upland cotton	174,885,614	-153,815,098	21,070,516
Dairy	630,661,682	-630,224,450	437,232
Total diversion payments-cash	1,538,104,271	-1,523,232,237 (10)	14,871,984
Upl. cotton loan def. pymts (cash)	---	+76,000,000 (11)	76,000,000
Rice inventory payments (cash)	---	+25,355,088 (12)	25,355,088
Dairy termination program	---	+489,168,026 (13)	489,168,026
TOTAL CASH PYMTS (7-13 above)	7,286,485,337	+3,055,933,502	10,342,418,889
Deficiency pymts. (certificates):			
Corn	---	+1,151,000,000	1,151,000,000
Grain sorghum	---	+131,000,000	131,000,000
Barley	---	+62,000,000	62,000,000
Oats	---	+6,100,000	6,100,000
Wheat	---	+747,000,000	747,000,000
Rice	---	+52,200,000	52,200,000
Upland cotton	---	+170,000,000	170,000,000
Total deficiency payments (certificates)	---	+2,319,300,000 (14)	2,319,300,000
Diversion payments (certificates):			
Corn	---	+132,399,033	132,399,033
Grain sorghum	---	+14,739,060	14,739,060
Barley	---	+3,479,984	8,479,984
Oats	---	+2,982,030	2,982,030
Wheat	---	+209,687,260	209,687,260
Total diversion payments (certificates)	---	+368,287,367 (15)	368,287,367

JUSTIFICATION OF INCREASES AND DECREASES (continued)
Realized Losses, Fiscal Years 1985 and 1986

Item	Fiscal Year 1985	Increases and Decreases	Fiscal Year 1986
Upl. cotton loan def. cert.....	---	+76,478,000(15)	76,478,000
Upl. cotton inv. protection cert.	---	+616,000,000(17)	616,000,000
Upl. cotton first handler cert...	---	+14,019,922(18)	14,019,922
Rice marketing certificates.....	---	+540,469(19)	540,469
Ethanol plants assistance program	---	+25,176,929(20)	25,176,929
Emergency feed certif. program...	---	+961,607(21)	961,607
Export enhancement certificates..	---	+9,743,325(22)	9,743,325
Targeted Export certif. program..	---	+16,144,332(23)	16,144,332
TOTAL CERTIFICATE PAYMENTS (14-23 above)	---	+3,446,651,951	3,446,651,951
TOTAL, ABOVE CASH/CERTIFICATE PAYMENTS.....	7,286,485,387	+6,502,585,453	13,789,070,840
Sugar bankruptcy compensation....	---	+17,487,543(24)	17,487,543
Emergency feed prog. (non-certif)	174,704	-140,260(25)	34,444
Export enhan. prog. (non-certif).	21,465,830	+67,800,203(26)	89,266,033
Export market promotion program..	2,005,390	+4,058,071(27)	6,063,461
Conservation reserve program:			
Cost-share assistance payments	---	+12,428,378	12,428,378
Technical assistance payments..	---	+12,262,781	12,262,781
Annual rental pymts. (certif.).	---	+86,092,000	86,092,000
Liquidated damages.....	---	-55,190	-55,190
Total conservation reserve...	---	+110,728,469(28)	110,728,469
Payment-in-Kind program (PIK):			
Storage and handling.....	-3,692,765	+3,723,190	30,425
Warehouse service fees.....	12,473	+58,766	71,239
Liquidated damages.....	-377,996	+330,437	-47,559
PIK entitlements.....	-12,800,877	+36,978,336	24,177,459
Miscellaneous PIK expense.....	22,080	-22,015	65
Total PIK.....	-16,937,085	+41,068,714(29)	24,231,629
Marketing loan writeoffs:			
Rice.....	---	+205,044,542	205,044,542
Honey.....	---	+917,866	917,866
Total mkting. loan writeoffs.	---	+205,962,408(30)	205,962,408
Transfers to APHIS for animal and plant disease eradication.....	22,700,000	-22,700,000(31)	---
Milk marketing fee collection programs:			
Milk marketing fees (PL 97-253)..	-684,195	+531,953	-152,242
Milk marketing fees (PL 98-180)..	-373,954,941	+373,986,425	31,484
Milk marketing fees (PL 99-198)..	---	-287,297,410	-287,297,410
Total milk marketing fees.....	-374,639,136	+87,220,968(32)	-287,418,168
Other program expense (net).....	27,085,774	-1,912,063	25,173,711
Interest (net).....	1,651,078,329	-767,571,973(33)	883,506,356
Operating expenses (net).....	384,979,446	+104,913,282(34)	489,892,728
Total realized losses.....	12,934,399,275	+7,063,106,670	19,998,005,945

Minus (-) indicates gain or adjustment to prior year.

The above analysis of realized losses covers the difference between the actual 1985 and 1986 losses of the Corporation. There was previously a two-year lag between the year the loss was incurred and the year the appropriation was received to reimburse the CCC for its net realized losses. However, continuing high levels of CCC entitlements and related outlays have accelerated the reimbursement of realized losses to restore CCC's capital impairment. The fiscal year 1985 appropriation act (P.L. 98-473) provided $8,350,000,000.

This was applied to the remaining unreimbursed balance of $6,690,867,000 in fiscal year 1984 losses and to $1,659,133,000 of anticipated fiscal year 1985 losses. The fiscal year 1985 urgent supplemental appropriation act (P.L. 99-71) restored an additional $1,000,000,000 in fiscal year 1985 losses and the fiscal year 1985 supplemental appropriation act (P.L. 99-88) restored a further $2,935,790,000 in fiscal year 1985 losses. The fiscal year 1986 appropriation act (P.L. 99-190) of $9,140,069,000 restored the unreimbursed balance of fiscal year 1985 losses of $7,339,976,000 and $1,800,093,000 of anticipated fiscal year 1986 losses. P.L. 99-190 also included an additional $4,000,000,000 (subject to Administration request) which was applied to another $4,000,000,000 of anticipated fiscal year 1985 losses. Three urgent supplemental appropriation acts (P.L. 99-243, P.L. 99-263 and P.L. 99-349) restored an additional $1,492,857,000, $5,000,000,000, and $5,300,000,000, respectively, of anticipated fiscal year 1985 losses. The first continuing resolution of fiscal year 1987 (P.L. 99-500 and P.L. 99-591) provided $16,808,806,000 to restore the unreimbursed balance of fiscal year 1986 losses of $2,405,056,000 and $14,403,750,000 of anticipated fiscal year 1987 losses. The Omnibus Continuing Resolution of fiscal year 1987 (P.L. 99-591) included an additional $3,000,000,000 which was applied to another $3,000,000,000 of anticipated fiscal year 1987 losses, leaving an estimated $10,197,812,000 in unrestored fiscal year 1987 losses.

Need for Change. A change is proposed to provide permanent, indefinite budget authority to reimburse the Corporation for net realized losses. This appropriation is for activities that have or will be accomplished with prior approval of the Congress. A current, definite appropriation is unnecessary since any adjustment to the reimbursement would have no effect on amounts already expended. Therefore, a permanent, indefinite appropriation is most suitable for this type of account.

Nature of Change.

Explanation of Increases or Decreases in Realized Losses, Fiscal Years 1986 and 1985

(1) An increase of $1,016,376,746 in losses on sales ($627,807,963 in 1985). This increase primarily reflects the difference in the CCC commodity certificate issuance value versus the CCC book value (generally the acqusition cost). The Food Security Act of 1985 authorized the use of certificates as payment to producers under various CCC price support and related programs. These certificates were issued at the current market price for a particular commodity. Certificate holders, in turn, could exercise one of two options: (1) exchange the certificates for any CCC-owned commodity and receive a commodity quantity based on the current market price for that commodity at the time of redemption, or (2) redeem an outstanding CCC loan and receive a commodity quantity also based on the current market price for that commodity at the time of loan redemption. In both cases, a loss was generally realized because the CCC book value, which included redeemed loans transferred to inventory from the loan account, exceeded the certificate issuance value. In fiscal year 1986, CCC-owned commodities valued at $2,048.6 million were redeemed with certificates valued at $1,356.4 million. The difference, $692.2 million, represents the loss on certificates. The remaining loss on sales in FY 1986, $324.2 million, includes higher losses on the sale of corn, grain sorghum, barley, wheat flour and products, dried milk, butter oil, and soybeans, totaling $285.8 million, as well as a loss of $123 million on the sale of burley tobacco. Lower losses of $84.6 million on the sale of wheat, rice, butter, blended foods, peanuts and a gain on the sale of sugar partially offset the increase.

(2) A decrease of $600,741,255 in domestic donations ($1,920,149,740 in 1985). This decrease primarily reflects decreased donations of dairy products under Section 416 for the Special Donations to Needy Families Program. The donation of red meat purchased to minimize the adverse effect of the Dairy Termination Program and increased donations of honey and rice partially offset the decrease.

(3) A decrease of $144,545,105 in export donations ($543,548,396 in 1985). Lower dairy product donations under Section 416 of the Agricultural Act of 1949 accounted for the decrease. The combined volume of these overseas dairy donations was down 66 million pounds from the 1985 program. Donations of bulgar slightly offset the decrease.

(4) An increase of $318,750,622 in storage and handling expense ($394,189,842 in 1985). Increased inventories of feed grains, wheat, soybeans, rice, sugar and upland cotton, largely due to forfeitures of commodity loans, account for most of the increase. FY 1986 forfeitures were: feed grains (796.0 mil. bu.), wheat (520.6 mil. bu.), soybeans (158.4 mil. bu.), rice (15.1 mil. cwt.), sugar (607.4 mil. lbs.), and cotton (.7 mil. bales). Decreased storage and handling costs for butter, cheese, dried milk and honey partly offset the increase.

(5) An increase of $45,459,715 in transportation expense ($133,918,454 in 1985). Increased loan forfeitures of wheat, corn, barley, soybeans, and increased purchases of dairy products account for the increase. Lower transportation costs for grain sorghum and honey slightly offset the increase.

(6) An increase of $43,200,138 in loans written off ($3,643,463 in 1985). This increase is primarily due to more 1985 crop peanut loans being charged off in fiscal year 1986. About 396 million pounds of 1985 crop quota peanuts were placed under loan and required disposal at prices well below CCC's investment value. Reduced commercial requirements for the 1985 marketing year were primarily due to excessive commercial purchases of peanuts for domestic edible use in the 1984 marketing year.

(7) An increase of $35,104,994 in producer storage payments ($307,142,778 in 1985). This increase is mainly due to an increase in the average quantity of corn in the grain reserve in fiscal year 1986, partly offset by a decrease in the average quantity of grain sorghum in the reserve. Producers receive these payments in advance and the loss in each year reflects only that part of the advance payments actually earned.

(8) A net increase of $21,010 in total disaster payments ($14,013 in 1985). Fiscal year 1986 activity, like 1985 activity, reflects prior year adjustments for the 1983 and earlier crops.

(9) A net increase of $3,988,621,655 in total cash deficiency payments ($5,748,367,103 in 1985). The increase is mainly due to reduced 1986 crop loan rates mandated by the Food Security Act of 1985 and to increased program participation. Provisions of the 1985 Act encouraged greater market orientation in the U.S. farm economy by reducing loan rates, linking them more closely with past market prices. Consequently, these reduced loan rates resulted in projected higher deficiency payment rates for the 1986 crop, (compared to prior crops), which were used to determine deficiency payment losses. For the 1986 crop, $9,685,176,000 in deficiency payments were recorded as a loss, including $3,126,115,911 paid in advance in fiscal year 1986 and $6,559,060,089 in accrued final payments that will be paid in FY 1987 and 1988. The latter amount reflects the GAO requirement that estimated deficiency payments due producers must be accrued as a loss in the fiscal year in which the deficiency payment liability is recognized, even though the actual cash disbursement may not take place until the following fiscal year. For the 1985 crops of corn, grain sorghum, barley, upland cotton and extra long staple cotton, deficiency payments actually required were above the estimated amounts accrued in fiscal year 1985. These additional amounts were expensed in fiscal year 1986 contributing to the larger loss. Adjustments to reflect actual 1985 crop payments made in FY 1986 for wheat, rice, and oats, which were less than the estimated accruals in fiscal year 1985, combined with some prior crop year adjustments, partly offset the increase.

(10) A net decrease of $1,523,232,287 in total cash diversion payments ($1,538,104,271 in 1985). No cash diversion programs were in effect for the 1986 crops of feed grains, cotton, rice, or dairy, compared to fiscal year 1985, in which cash diversion payments were required for dairy and the 1985 crops of wheat, upland cotton and rice. Instead, a 2.5 percent diversion program with payments to be made in commodity certificates redeemable for CCC-owned commodities was effective for the 1986 crops of feed grains and wheat. The fiscal year 1986 amount is mostly higher required cash diversion payments for the 1985 crops of wheat, upland cotton and rice, which were above the estimated amounts accrued in fiscal year 1985. A small amount of 1986 crop cash payments were made to those producers whose diversion payment was $100 or less.

(11) An increase of $76,000,000 in upland cotton cash loan deficiency payments ($0 in 1985). The 1985 Act authorized the Secretary to offer producers eligible to obtain 1986 crop cotton loans a loan deficiency payment in exchange for agreeing to forego the loan. One-half of these payments will be made in cash with the remaining half to be made in certificates. The 1986 crop amount includes $1,602,306 in cash loan deficiency payments paid in fiscal year 1986 and $74,397,694 in estimated accrued cash payments to be outlayed in fiscal year 1987.

(12) An increase of $25,355,088 in rice cash inventory payments ($0 in 1985). The Food Security Act of 1985 required the Secretary to offer a one-time payment to all producers of 1985 crop rice who had not sold their rice as of April 15, 1986, to protect privately-held rice stocks from a sudden price decrease as a result of the implementation of the 1985 Act.

(13) An increase of $489,168,026 in dairy termination program payments ($0 in 1985). The increase reflects the implementation of the dairy termination program in accordance with the 1985 Act. Dairy termination payments, based on accepted bids submitted by producers, were made to eligible producers who agreed to discontinue milk production for a period of five years. The amount for FY 1986 represents payments made in the first year of the program, and payments will continue through FY 1991, based on producer-selected payment options.

(14) An increase of $2,319,300,000 in deficiency payments made in commodity certificates ($0 in 1985). The 1985 Act included a new provision allowing a portion of deficiency payments to be made in certificates redeemable for CCC-owned commodities. The increase reflects the application of the provision to an established percentage of 1986 crop deficiency payments for wheat, feed grains, upland cotton, and rice. Certificates valued at $1,993,265,403 were issued in fiscal year 1986 for deficiency payments and certificates valued at an estimated $326,034,597 were accrued in FY 1986 for issuance in fiscal year 1987.

(15) An increase of $368,287,367 in diversion payments made in certificates ($0 in 1985). A 2.5 percent diversion program with payments to be made in certificates redeemable for CCC-owned commodities was effective for the 1986 crops of feed grains and wheat. The fiscal year 1986 amount includes $342,235,399 in certificates issued in fiscal year 1986 and certificates valued at an estimated $26,051,968 were accrued in FY 1986 for issuance in fiscal year 1987.

(16) An increase $76,478,000 in upland cotton loan deficiency payments made in certificates ($0 in 1985). For the 1986 crop, one-half of loan deficiency payments will be made in certificates and one-half in cash (see also item 11, above). The fiscal year 1986 realized loss amount represents the accrued value of these certificates to be issued in fiscal year 1987.

(17) An increase of $616,000,000 in upland cotton inventory protection certificates ($0 in 1985). As with rice inventory payments, the Food Security Act of 1985 required a one-time transition payment to all holders of 1985 or prior crop year upland cotton to protect these privately-held stocks from any sudden price decreases due to the implementation of the 1985 Act. The fiscal year 1986 amount includes $388,939,392 in certificate payments issued in fiscal year 1986 and estimated accrued certificates of $227,060,608 to be issued in fiscal year 1987.

(18) An increase of $14,019,922 in upland cotton first handler certificates ($0 in 1985). This payment, newly authorized by the 1985 Act, is required to eligible first handlers of cotton if certain CCC programs fail to make upland cotton fully competitive in world markets and the world market price for cotton is less than the loan repayment rate. The fiscal year 1986 amount represents certificate payments for the 1986 crop.

(19) An increase of $540,469 in rice marketing certificates ($0 in 1985). Similar to the upland cotton first handler certificates, rice marketing certificates must be issued to eligible producers whenever the world price for rice falls below the loan repayment rate. The fiscal year 1986 amount represents certificate payments for the 1986 crop.

(20) An increase of $25,176,929 for the ethanol plants assistance program ($0 in 1985). In order to encourage the use of grain in the production of fuel ethanol, the 1985 Act authorized CCC to make commodities available for sale at no cost or reduced cost to qualifying ethanol producers. The fiscal year 1986 realized loss amount represents certificate payments redeemable for CCC commodities.

(21) An increase of $961,607 for the emergency feed certificate program ($0 in 1985). In accordance with the 1985 Act, CCC is authorized to make feed available for livestock and poultry in areas where feed grains are normally produced but are unavailable due to natural disaster. The fiscal year 1986 amount is for certificate payments which may be exchanged for CCC commodities.

(22) An increase of $9,743,325 in export enhancement certificates ($0 in 1985). To encourage the development, maintenance, and expansion of U.S. agricultural export markets, the Secretary is required by the 1985 Act to either make available to commercial exporters CCC-owned commodities for bonus payments, or issue transferable export certificates which may later be redeemed for CCC commodities. The fiscal year 1986 amount reflects the value of the export certificates issued.

(23) An increase of $16,144,332 for targeted export assistance certificates ($0 in 1985). To counter or offset the adverse effect of subsidies, import quotas or other unfair trade practices in foreign countries, the Secretary must issue certificates which may be exchanged for CCC commodities to exporters affected by such practices, or use CCC funds at the Secretary's discretion. The fiscal year 1986 amount is for certificate payments issued to affected exporters.

(24) An increase of $17,487,543 for sugar bankruptcy compensation ($0 in 1985). Under a provision of the 1985 Act, sugar producers who failed to receive their full benefits due under the sugar price support program as a result of the insolvency of a sugar processor were compensated by CCC. These payments were made in FY 1986.

(25) A decrease of $140,260 for the emergency feed program (cash); ($174,704 in 1985). Producers whose emergency feed payment was $100 or less received their payment in cash. These cash payments, along with adjustments for fiscal year 1982 and earlier programs, are included in the fiscal year 1986 amount.

(26) An increase of $67,800,203 for the export enhancement program (non-certificate); ($21,465,830 in 1985). Fiscal year 1986 activity reflects the value of CCC-owned wheat issued as bonus payments to U.S. exporters to expand export sales in those markets where unfair foreign trade practices are used. This program, implemented in fiscal year 1985, was replaced during fiscal year 1986 with an export enhancement certificate program using certificates redeemedable for CCC-owned commodities as bonus payments (see also item 22, above).

(27) An increase of $4,058,071 for the export market promotion program ($2,005,390 in 1985). The fiscal year 1986 total is for costs associated with an overseas market promotion program to expand export sales of raisins and peaches, and to counter foreign subsidization.

(28) An increase of $110,728,469 for the conservation reserve program ($0 in 1985). The increase reflects the establishment of a conservation reserve required by the 1985 Act to remove up to 45 million acres of highly erodible cropland from production and to devote the land to vegetative cover for ten years. Annual rental payments of $86,092,000 represent accrued certificate payments which are being issued in FY 1987 for enrolled 1986 crop acreage to compensate the producer for the conversion of cropland to conservation uses. Technical assistance and cost-sharing payments of $12,262,781 and $12,428,878, respectively, to help implement these conservation practices were made in cash.

(29) A net increase of $41,068,714 in payment-in-kind (PIK) program costs (-$16,837,085 in 1985). The increase is mainly due to adjustments to the fiscal years 1983 and 1984 accrued losses for the 1983 crops of wheat, corn, grain sorghum, rice and upland cotton, and for the 1984 crop of wheat to reflect additional PIK activity. CCC realized losses for the program were largely recognized in fiscal years 1983 and 1984 when the producer signed the PIK contract.

(30) An increase of $205,962,408 in marketing loan write-offs ($0 in 1985). The increase reflects the implementation of a marketing loan program for the 1985 and 1986 rice crops and the 1986 honey crop which permitted producers to repay their commodity loan at a lower rate than the original loan rate. The marketing loan write-offs represent the difference between the loan rate and the repayment rate. The fiscal year 1986 amount includes write-offs of $171,029,804 for 1985 crop rice, $34,014,738 for 1986 crop rice and $917,866 for 1986 crop honey.

(31) A decrease of $22,700,000 in transfers to APHIS for animal and plant disease eradication ($22,700,000 in 1985). No losses were recorded for transfers to APHIS in fiscal year 1986. A transfer of $7,937,521 to fund a portion of the citrus canker emergency program was made to APHIS at the end of fiscal year 1986, in accordance with the FY 1986 Urgent Supplemental Appropriations Act, P.L. 99-349. The loss associated with this transfer will be recorded in fiscal year 1987.

(32) A net decrease (smaller gain) of $87,220,968 in milk marketing fees (-$374,639,136 in 1985). The decrease in fiscal year 1986 reflects five months of operation of the collection program versus six months operation in fiscal year 1985. Fiscal year 1986 receipts include collections of $152,242 authorized by the Omnibus Budget Reconciliation Act of 1982, P.L. 97-253, and $287,297,410 authorized by the Food Security Act of 1985, P.L. 99-198. The latter amount includes an additional collection of 12 cents per hundredweight for the period April 1 through September 30, 1986, which was mandated by the Food Security Improvements Act of 1986, P.L. 99-253, to comply with the Balanced Budget and Emergency Deficit Control Act of 1985. An accounting adjustment of $31,484 in collections authorized by the Dairy and Tobacco Adjustment Act of 1983, P.L. 98-180, partly contributed to the decrease. Fees collected under P.L. 97-253 and P.L. 98-180 were used to offset the cost of the 1983/84 dairy price support program and the 1985 dairy diversion program, respectively. Collections under the Food Security Act of 1985 were used to offset the cost of the dairy termination program. The dairy termination program is authorized through September 30, 1987, and fees will be collected through this date.

(33) A decrease of $767,571,973 in interest expense ($1,651,078,329 in 1985). The net decrease is mainly attributable to lower interest rates (7.75 percent in 1986 versus 9.5 percent in 1985) and to increased accrued interest income for the direct credit, export credit guarantee and rescheduled guarantee loan programs. Interest on an increase in CCC outstanding borrowings of $1.1 billion partially offset the decrease.

(34) An increase of $104,913,282 in operating expenses ($384,979,446 in 1985). This increase principally reflects additional authorized CCC fund transfers to the ASCS consolidated Salaries and Expenses Account for workload increases related to record loan and forfeiture activity and the implementation of the Food Security Act of 1985, including a supplemental of $71.6 million.

RECONCILIATION TO BUDGET AUTHORITY

The above analysis of realized losses covers the differences between the actual 1985 and 1986 losses of the Corporation, which have already been reimbursed.

The following table reconciles budget authority with appropriations:

(thousands of dollars)

	1987	1988
	a/	b/
Appropriation (for realized losses).....	$26,461,995	$21,133,658
Portion applied to debt reduction.....	-24,375,586	-20,468,509
Portion applied to liquidate contract authority.....	-2,486,409	-665,149
Transferred from other accounts c/.....	400,000	---
Adjusted Appropriation.....	---	---
Adjustments:		
Authority to borrow.....	+21,370,301	+16,246,281
Contract authority.....	---	---
National Wool Act appropriation.	+122,689	+131,239
Budget Authority.....	21,492,990	16,377,520

a/ Includes proposed supplemental of $6,653,189,000 to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

b/ Proposed to be reimbursed through permanent, indefinite appropriation from Treasury, rather than Congressional action.

c/ Reflects transfer from the Agricultural Credit Insurance Fund for disaster payments under provisions of the Omnibus Continuing Resolution (P.L. 99-500 and P.L. 99-591).

The following tables reflect actual and estimated losses by commodity and program for fiscal years 1985 through 1988.

Fiscal Year 1985 - Actual (millions of dollars) :

Item	Total	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Dairy Products	All Other Commodities and Programs a/
Program costs:							
Gain (-) or loss on sales...	$627.8	$28.3	$29.2	$53.6	-$.5	$454.4	$62.8
Domestic donations.....	1,920.2	7.8	31.0	22.5	---	1,789.8	69.0
Export donations.....	543.5	---	---	---	---	543.5	---
Storage and handling.....	394.2	134.9	149.5	37.0	3.8	61.8	7.2
Transportation.....	133.9	28.0	33.9	.9	---	67.4	3.7
Deficiency and diversion payments.....	7,286.5	3,075.5	2,063.0	506.1	1,009.2	630.7	2.0
Export enhancement.....	21.5	---	21.5	---	---	---	---
Loans written off.....	3.6	.5	.2	---	---	---	2.9
PIK entitlements.....	-12.8	-42.7	-48.0	28.4	49.5	---	---
Other PIK costs.....	-4.0	-.3	-3.7	---	---	---	---
Producer storage payments...	307.1	134.7	172.4	---	---	---	---
Other.....	-322.5 b/	-1.0	19.2	-.1	-.7	-375.0	35.1
Total program costs.....	10,899.0	3,365.7	2,468.2	648.5	1,061.3	3,172.6	182.7
Nonprogram costs:							
Interest (net):							
Support and related.....	1,462.1						
Short-term and intermediate export credit sales.....	39.9						
Export guarantees.....	149.1						
Operating expenses.....	384.8						
Total nonprogram costs.....	2,035.9						
Total realized losses.....	12,934.9						

a/ Other commodities and programs include rye, soybeans, dry edible beans and peas, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, administrative equipment, export guarantee program fees, APHIS transfers, ocean transportation for export donations, and the export market promotion program.

b/ Includes -$374.6 million for dairy receipts/gains (from assessment program) and partly offsetting losses for other programs netting to the -$322.5 million shown.

(-) Denotes gain.

Fiscal Year 1986 - Actual (millions of dollars):

Item	Total	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Dairy Products	All Other Commodities and Programs a/
Program costs:							
Gain (-) or loss on sales...	1,644.2	541.1	159.7	116.1	85.7	563.5	178.1
Domestic donations.....	1,319.4	7.3	29.0	31.6	---	1,156.2	95.3
Export donations.....	399.0	---	2.6	---	---	396.4	---
Storage and handling.....	712.9	284.2	239.0	49.9	17.8	50.9	71.1
Transportation.....	179.4	38.9	52.3	0.6	-0.1	77.8	9.9
Loans written off.....	46.8	0.6	0.1	---	---	---	46.1
Producer storage payments...	342.2	195.8	146.4	---	---	---	---
Deficiency payments (cash)..	9,737.0	5,650.1	2,724.4	462.8	897.7	---	2.0
Diversion payments (cash)...	14.9	1.0	-3.3	-4.3	21.1	0.4	---
Deficiency pymts. (certif.).	2,319.3	1,350.1	747.0	52.2	170.0	---	---
Diversion pymts. (certif.)..	368.3	158.6	209.7	---	---	---	---
Cash loan deficiency pymts..	76.0	---	---	---	76.0	---	---
Inventory protection pymts..	25.3	---	---	25.3	---	---	---
Dairy termination program...	489.2	---	---	---	---	489.2	---
First handler, inventory protection & loan deficiency payments (certificates)....	706.5	---	---	---	706.5	---	---
Rice marketing certificates.	0.5	---	---	0.5	---	---	---
Conservation reserve program	110.7	---	---	---	---	---	110.7
Other certificates b/	52.0	---	---	---	---	---	52.0
Export enhancement (non-certificate).....	89.3	---	89.3	---	---	---	---
Payment-in-kind (PIK) prog..	24.2	8.1	1.7	0.5	13.9	---	---
Marketing loan write-offs...	206.0	---	---	205.0	---	---	1.0
Other.....	-238.5 c/	0.9	9.1	---	2.7	-288.7	37.5
Total program costs.....	18,624.6	8,236.7	4,407.0	940.2	1,991.3	2,445.7	603.7
Nonprogram costs:							
Interest (net):							
Support and related.....	706.3						
Short-term and intermediate export credit sales.....	44.2						
Export guarantees.....	133.0						
Operating expenses.....	489.9						
Total nonprogram costs.....	1,373.4						
Total realized losses.....	19,398.0						

a/ Other commodities and programs include rye, soybeans, dry edible beans and peas, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, emergency feed, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, export market promotion, ethanol plant assistance, export enhancement, and targeted export assistance.

b/ Other certificates include ethanol plant assistance, export enhancement, targeted export assistance and emergency feed programs.

c/ Includes -$287.4 million for dairy receipts/gains (from assessment program) and partly offsetting losses for other programs netting to the -$238.5 million shown.

Fiscal Year 1987 - Estimated (millions of dollars):

Item	Total	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Dairy Products	All Other Commodities and Programs a/
Program costs:							
Gain (-) or loss on sales...	4,800.1	2,372.9	1,042.9	112.0	224.2	802.2	245.9
Domestic donations.....	1,415.1	4.9	23.8	24.9	---	1,258.3	103.2
Export donations.....	272.0	2.6	74.1	24.2	---	171.1	---
Storage and handling.....	1,299.6	717.4	340.2	43.0	13.7	49.6	135.7
Transportation.....	187.9	53.8	64.5	0.7	---	54.3	14.6
Loans written off.....	63.0	---	---	---	---	---	63.0
Producer storage payments...	840.6	628.5	212.1	---	---	---	---
Deficiency payments (cash)..	7,944.0	5,183.9	1,750.5	355.2	653.0	---	1.4
Diversion payments (cash)...	502.0	502.0	---	---	---	---	---
Deficiency pymts. (certif.).	3,586.4	1,367.4	1,937.0	95.0	187.0	---	---
Diversion pymts. (certif.)..	1,506.0	1,507.0	-1.0	---	---	---	---
Cash loan deficiency pymts..	75.0	---	---	---	75.0	---	---
Inventory protection pymts..	3.0	---	---	3.0	---	---	---
Dairy termination program...	578.5	---	---	---	---	578.5	---
First-handler and loan deficiency pymts (certif.).	152.6	---	---	---	152.6	---	---
Conservation reserve program b/.....	814.5	---	---	---	---	---	814.5
Other certificates c/.....	992.8	---	---	---	---	---	992.8
Export enhancement (non-certificate).....	105.7	---	105.7	---	---	---	---
Marketing loan write-offs...	520.9	---	---	326.7	162.2	---	32.0
Other.....	-215.7 d/	---	---	---	136.2	-463.0	111.1
Total program costs.....	25,444.0	12,340.4	5,549.8	984.7	1,603.9	2,451.0	2,514.2

Nonprogram costs:							
Interest (net):							
Support and related.....	1,482.7						
Short-term and intermediate export credit sales.....	41.5						
Export guarantees.....	113.9						
Operating expenses.....	519.5						
Total nonprogram costs.....	2,157.6						
Total realized losses.....	27,601.6						

a/ Other commodities and programs include rye, soybeans, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, emergency feed, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, disaster certificates, ethanol plant assistance, export enhancement, and targeted export assistance.

b/ Excludes $180 million in "bonus" payments paid in CCC commodity certificates for corn base acreage enrolled in the CRP, as announced January 20, 1987.

c/ Other certificates include disaster, ethanol plant assistance, export enhancement, targeted export assistance and emergency feed programs.

d/ Includes -$463.0 million for dairy receipts/gains (from assessment program) and partly offsetting losses for other programs netting to the -$215.7 million shown.

Fiscal Year 1988 - Estimated (millions of dollars):

Item	Total	Feed Grains and Products	Wheat and Products	Rice	Upland Cotton	Dairy Products	All Other Commodities and Programs a/
Program costs:							
Gain (-) or loss on sales...	2,642.1	1,841.8	38.3	115.2	18.9	430.5	147.4
Domestic donations.....	1,291.7	5.3	23.3	24.0	---	1,142.0	97.1
Export donations.....	202.6	1.9	65.7	15.5	---	119.5	---
Storage and handling.....	1,762.6	1,156.1	343.8	36.3	7.6	24.9	193.9
Transportation.....	223.7	121.9	53.3	0.3	---	45.5	2.7
Loans written off.....	63.0	---	---	---	---	---	63.0
Producer storage payments...	663.7	558.4	105.3	---	---	---	---
Deficiency payments (cash)..	11,165.5	6,990.0	2,588.0	604.3	982.0	---	1.2
Deficiency pymts. (certif.).	1,159.5	791.5	368.0	---	---	---	---
Cash loan deficiency pymts..	12.0	---	---	---	12.0	---	---
Dairy termination program...	222.6	---	---	---	---	222.6	---
Loan deficiency certificates	11.9	---	---	---	11.9	---	---
Rice marketing certificates.	56.0	---	---	56.0	---	---	---
Conservation reserve program	212.0	---	---	---	---	---	212.0
Other certificates b/.....	380.0	---	---	---	---	---	380.0
Marketing loan write-offs...	543.3	---	---	392.1	215.3	---	35.9
Other.....	144.9 c/	---	---	---	91.3	-30.0	83.6
Total program costs.....	20,857.1	11,466.9	3,635.7	1,243.7	1,339.0	1,955.0	1,216.8
Nonprogram costs:							
Interest (net):							
Support and related.....	1,305.8						
Short-term and intermediate export credit sales.....	35.9						
Export guarantees.....	110.4						
Operating expenses.....	537.7						
Total nonprogram costs.....	1,989.8						
Total realized losses.....	22,846.9						

a/ Other commodities and programs include rye, soybeans, tobacco, peanuts and peanut products, blended food products, vegetable oil products, extra long staple cotton, honey, sugar, administrative equipment, export guarantee program fees, the conservation reserve program, ocean transportation for export donations, export enhancement, and targeted export assistance.

b/ Other certificates include export enhancement and targeted export assistance programs.

c/ Includes -$30.0 million for dairy receipts/gains (from assessment program) and partly offsetting losses for other programs netting to the $144.9 million shown.

National Wool Act

Appropriation Act, 1987	$122,689,000
Budget Estimate, 1988	131,239,000
Increase in Appropriation	+8,550,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated (1985 Calendar Year)	Increase or Decrease	1988 Estimated (1986 Calendar Year)
Total duties collected in the applicable calendar year	$411,386,171	+$4,613,829	$416,000,000
70 percent of duties collected, representing maximum available for reimbursement to CCC	287,970,320	+3,229,680	291,200,000
Appropriation or estimate to reimburse CCC	122,689,000	+8,550,000	131,239,000

The 1987 appropriation covers reimbursement for fiscal year 1986 expenditures relating to marketings in the 1985 calendar year. The 1988 appropriation estimate covers fiscal year 1987 estimated expenditures relating to marketings in the 1986 calendar year.

PROJECT STATEMENT
(On basis of appropriation)

Item	1986 Actual	1987 Estimated	1988 Increase	1988 Estimated
Reimbursement to Commodity Credit Corporation for expenditures under the National Wool Act, available or estimate	$109,365,000	$122,689,000	+$8,550,000 (1)	$131,239,000

EXPLANATION OF PROGRAM

The wool and mohair payment program administered by the Agricultural Stabilization and Conservation Service is required by the National Wool Act of 1954, as amended. The Act, which has been extended several times, was extended by the Food Security Act of 1985 to cover marketings through December 31, 1990.

Payments are made on marketings during each calendar year on shorn wool, unshorn lambs (to compensate producers for the wool on lambs) and mohair. The payments are made beginning in April for marketings during the previous year at a rate approximating the difference between the support price and the national average price received by producers.

To encourage producers to do a good job of marketing their wool and to receive the best possible price in the market, a percentage of the actual price received by the producer is used as the payment rate rather than making a uniform flat payment per pound of wool. The higher the market price the producer obtains, the greater the incentive payment he will receive.

Payments, initially financed by CCC, are made to eligible producers through the Agricultural Stabilization and Conservation Service county offices. Total payments under the Act are limited to 70 percent of the accumulated gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

The following table shows amounts collected and available for payment (in thousands of dollars).

Item	Fiscal Year 1986 (1985 Marketing Year) Actual	Fiscal Year 1987 (1986 Marketing Year) Estimate	Fiscal Year 1988 (1987 Marketing Year) Estimate
Available for payments, 70 percent of duties collected:			
Cumulative from January 1, 1953.....	$3,471,697	$3,762,897	$4,057,597
Cumulative payments to producers.....	1,653,156	1,779,256	1,916,756
Balance available, end of year.....	1,818,541	1,983,641	2,140,841

The Act provides that the Corporation will be reimbursed for payments to producers and operating costs from the permanent appropriation. The amounts appropriated for any fiscal year shall not exceed 70 percent of the duties collected during the period January 1 to December 31 preceding the beginning of each such fiscal year.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $8,550,000 in the appropriation to reimburse the Commodity Credit Corporation.

Item of Change	1987 Estimate (Fiscal Year 1986 Expenditure)	Increase or Decrease	1988 Estimate (Fiscal Year 1987 Expenditure)
Payments to producers:			
Shorn wool.....	$84,973,000	-$2,173,000 (a)	$82,800,000
Unshorn lambs.....	18,873,000	-1,573,000 (b)	17,300,000
Mohair.....	12,650,000	+13,350,000 (c)	26,000,000
Total payments.....	116,496,000	+9,604,000	126,100,000
Operating expenses.....	2,188,000	---	2,188,000
Interest expenses.....	4,005,000	-1,054,000 (d)	2,951,000
Total.....	122,689,000	+8,550,000	131,239,000

Need for Change. Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed for the program costs by a permanent appropriation which is limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. Estimated program costs for fiscal year 1987 are $131,239,000. Program costs are estimated to increase from fiscal year 1986 primarily due to the increase in the support price and payment rate for mohair and because of lower market prices received by mohair producers.

Nature of Change.

(a) A decrease of $2,173,000 in shorn wool payments ($84,973,000 in 1987 estimate). This decrease is due to a decrease in marketings on which payments are made, partly offset by an increase in the payment rate from $1.02 to $1.08 per lb.

(b) A decrease of $1,573,000 in payments on unshorn lambs ($18,873,000 in 1987 estimate). This decrease is due primarily to lower marketings for unshorn lambs.

(c) An increase of $13,350,000 in payments on mohair ($12,650,000 in 1987 estimate). This results from a projected decline in the season average price for mohair from $3.45 to $3.00 and an increase in the support price of mohair from $4.43 to $4.93 per pound. The net result of these changes increases the estimated payment rate for mohair from $.98 cents to $1.93.

(d) A decrease of $1,054,000 in interest expenses ($4,005,000 in 1987 estimate). This decrease is due primarily to a decrease in the interest rate charged the Corporation for Treasury borrowings.

EXPENDITURES AND REIMBURSEMENTS TO CCC
UNDER THE NATIONAL WOOL ACT

Costs

Expenditures under this program include payments to producers, plus operating and interest costs. The following table shows the basis of the estimates for fiscal years 1986, 1987, and 1988.

Item	Fiscal Year 1986 (1985 Marketing Year) Actual	Fiscal Year 1987 (1986 Marketing Year) Estimated	Fiscal Year 1988 (1987 Marketing Year) Estimated
Volume of Marketings:			
Pounds of shorn wool.....	85,687,000	76,630,000	78,180,000
Hundredweight, unshorn lambs.	4,622	4,000,000	4,200,000
Pounds of mohair.....	13,036,000	14,210,000	15,490,000
Incentive or Support Level:			
Price per lb of wool (cents).....	165.0	178.0	181.0
Price per lb of mohair (cents).....	443.0	492.9	495.2
Percent of parity - wool.	73.3	76.7	74.5
Percent of parity - mohair.....	62.3	65.2	63.3
Payments under Act - Rates:			
Shorn wool, per lb (cents).....	101.7	108.0	113.0
Unshorn lambs, cwt (cents).....	406.8	432.0	452.0
Mohair, per lb (cents)..	98.0	192.9	205.2
Amount of Payments:			
Shorn wool.....	84,973,000	$82,800,000	$88,300,000
Unshorn lambs.....	18,873,000	17,300,000	19,000,000
Mohair.....	12,550,000	26,000,000	30,200,000
Total payments.....	116,496,000	126,100,000	137,500,000
Operating Expenses.....	2,188,000	2,188,000	2,188,000
Interest Expense.....	4,005,000	2,951,000	3,353,000
Current year expenditures	122,689,000	131,239,000	143,041,000
Unrecovered balance, prior years.....	109,365,000	122,689,000	131,239,000
Total cumulative unrecovered balance....	232,054,000	253,928,000	274,280,000
Reimbursement to CCC (70 percent of preceding calendar year duty collections) a/.....	109,365,000	122,689,000	131,239,000
Unrecovered balance, end of year.....	122,689,000	131,239,000	143,041,000

a/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

CONSERVATION RESERVE PROGRAM

Purpose Statement

The Conservation Reserve Program (CRP) was mandated by sections 1231-1245 of the Food Security Act of 1985 (P.L. 99-198) to establish permanent cover on highly erodible cropland. The primary objectives of the CRP are to help farmers control critical soil erosion that occurs on about a third of America's cropland and to decrease production of surplus agricultural commodities, including wheat, corn, grain sorghum, soybeans, and small grains.

The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands on highly erodible land used to produce an agricultural commodity in the years 1981 through 1985. Up to 45 million acres of highly erodible land may be entered into the reserve.

The program is administered by State and local ASC committees working under the general direction of ASCS. Technical assistance is provided by the Soil Conservation Service, the Forest Service, the Cooperative Extension Service, and other appropriate agencies.

In exchange for entering land into the reserve, program participants receive annual rental payments in cash or commodities, based on their accepted bids per acre and the number of acres placed under 10-year contracts. In addition, farmers receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

To facilitate CRP program implementation, use of the funds, services, and facilities of the Commodity Credit Corporation (CCC) was authorized for fiscal years 1986 and 1987. In subsequent years, CCC funds may not be used for this purpose unless CCC has received in advance funds to cover such expenditures from appropriations made to carry out the program. Beginning in fiscal year 1988, funds for this program are requested to be appropriated in advance to CCC for rental, cost-sharing, and technical assistance payments. The Food Security Act of 1985 provides authority to enter into CRP contracts through fiscal year 1990. Appropriations will be requested annually to make rental payments through fiscal year 2000.

Available Funds, 1986 Actual and Estimated 1987 and 1988

Item of Change	1986 Actual	1987 Estimated	1988 Estimated
Appropriation:			
Annual rental payments	--	--	$678,000,000
Cost-sharing assistance	--	--	689,000,000
Technical assistance	--	--	21,000,000
Total appropriation (CRP)....	--	--	$1,388,000,000

NOTE: The CRP is funded directly by CCC in FY 1986 and 1987. By law, beginning in FY 1988, appropriations must be made in advance.

Reconciliation of Program Level to Appropriation

Item of Change	1986 Actual	1987 Estimated	1988 Estimated
Annual rental payments for prior year contracts:			
Cash.....	--	--	$678,000,000
CCC commodity certificates..	--	--	98,000,000 a/
Total rental payments	--	--	$776,000,000
Cost-sharing assistance	--	--	689,000,000
Technical assistance	--	--	21,000,000
Total program level, current year	--	--	1,486,000,000
Deduct:			
Financing by CCC commodity certificates	--	--	-98,000,000
Total appropriation	--	--	$1,388,000,000

a/ Includes an increase of $40 million from the $58 million shown in the President's Budget submitted January 5, 1987. The increase reflects the estimated impact on total rental payments of the January 20 program announcement regarding enrollment of corn base acreage into the CRP.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The estimates include proposed changes in the language of this item as follows (new language underscored):

Conservation Reserve Program

> For necessary expenses to carry out the Conservation Reserve Program pursuant to the Food Security Act of 1985 (16 U.S.C. 3881-3845), $1,388,000,000 to remain available until expended, to be used for cost share assistance for the establishment of conservation practices provided for in the first year of approved contracts, for annual rental payments provided for in such contracts entered into during prior fiscal years, and for technical assistance.

This new language proposes funding for the Conservation Reserve Program as a separate appropriation as provided by the Food Security Act of 1985.

Conservation Reserve Program

Appropriation Act, 1987 a/	--
Budget Estimate, 1988	$1,388,000,000
Increase in Appropriation	+1,388,000,000

a/ The CRP is carried out utilizing the funds, services, and facilities of the Commodity Credit Corporation in FY 1987. Additional information for FY 1986 and FY 1987 is included in the CCC Explanatory Notes.

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Annual rental payments	--	+$678,000,000 b/	$678,000,000
Cost-sharing assistance	--	+689,000,000 c/	689,000,000
Technical assistance	--	+21,000,000	21,000,000
Total available	--	$1,388,000,000	$1,388,000,000

b/ Reflects funds needed to make payments on prior year rental agreements (excludes an estimated $98 million in rental payments to be paid by CCC commodity certificates).

c/ Estimated cover cost payments for 13 million new acres in FY 1988.

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Increase	1988 Estimated
Annual rental payments	--	--	+$678,000,000	$678,000,000
Cost-sharing assistance	--	--	+689,000,000	689,000,000
Technical assistance	--	--	+21,000,000	21,000,000
Total, appropriation or estimate	--	--	+$1,388,000,000	$1,388,000,000

PROJECT STATEMENT
(On a comparable basis without regard to fund source).

Project	1986 Actual d/	1987 Estimated d/	Increase	1988 Estimated
Annual rental payments	--	-- e/	+$678,000,000	$678,000,000
Cost-sharing assistance	$12,373,688	$687,000,000	+2,000,000	689,000,000
Technical assistance	10,772,234	13,000,000	+8,000,000	21,000,000
Total, appropriation or estimate	$23,145,922	$700,000,000	+$688,000,000	$1,388,000,000

d/ Pursuant to the Food Security Act of 1985, the program costs in fiscal years 1986 and 1987 were to be funded by the Commodity Credit Corporation. Thereafter, such funding was to be requested in a separate appropriation account.

e/ In FY 1987, based on available data, $266 million in CCC commodity certificates will be issued as annual rental payments. This amount includes a $180 million one-time, one-year bonus, paid as an increased annual rental payment to farmers who enrolled 1987-crop corn base acres into the CRP during the first signup of FY 1987.

EXPLANATION OF PROGRAM

The Conservation Reserve Program was established as a voluntary program to help farmers prevent or control the critical soil erosion now occurring on more than a third of America's cropland. Unchecked, soil erosion would reduce the nation's long-term capability to produce food and fiber. The Reserve also helps adjust the production of some agricultural commodities currently in surplus--cotton, sorghum, wheat, corn, soybeans and other small grains.

The CRP is authorized in all 50 States, Puerto Rico and the Virgin Islands on highly erodible cropland. Cropland is defined as land that has been annually tilled to produce an agricultural commodity, including sugarcane, other than orchards, vineyards, or ornamental planting or has been set aside in a production adjustment program in two of the crop years from 1981 through 1985 and is suitable for crop production. Alfalfa and other grasses and legumes in rotation are considered an agricultural commodity for CRP purposes.

The CRP is administered on behalf of CCC under the general supervision of the Administrator, ASCS and is carried out in the field by State and local ASC committees. Technical assistance is provided by the Soil Conservation Service which determines eligibility of the land and assists farmers in preparing conservation plans, the Forest Service and cooperating State forestry agencies which plan for tree planting and install planned practices involving trees, and other appropriate agencies.

Under the program, farmers enter into a 10-year contract with USDA to take eligible land out of annual crop production and put it into permanent vegetative cover. Farmers decide what highly erodible cropland to offer for the reserve and bid what they would accept for an annual rental payment for the 10-year period at the time of application. In addition, farmers receive one-time payments of 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

The Food Security Act establishes the following participation levels:

- crop year 1986--5-45 million acres
- crop year 1987--15-45 million acres, cumulative
- crop year 1988--25-45 million acres, cumulative
- crop year 1989--35-45 million acres, cumulative
- crop year 1990--40-45 million acres, cumulative.

1987 Program

1. Program Direction. During fiscal year 1987, at least two sign-up periods will be held. The first will be February 9-27, 1987 and the second will be in the summer. A minimum enrollment of approximately 6.5 million acres is anticipated for crop year 1987, making total participation for crop years 1986 and 1987 at least 15 million acres. Also, additional acres may be enrolled in advance during fiscal year 1987 for crop year 1988. A one-time, one year bonus for the 1987 crop in the form of an increased annual rental payment will be paid to farmers who enter corn base acreage into the reserve during the first sign-up of fiscal year 1987. The bonus payment will be equal to $2.00 times the farm program payment yield for corn, times the number of acres of corn base designated for enrollment into the CRP. The bonus will be payable in the form of CCC commodity certificates when a 1987 CRP contract is accepted. In subsequent years, the annual rental payment will be only that amount specified in the CRP contract.

2. Eligibility. To be eligible to enter a CRP contract, an applicant must:

   -- be an individual, partnership, association, corporation, estate, trust, other business enterprise or legal entity, or a State or local subdivision of a State owning or operating State or local croplands.

   -- own or operate eligible cropland that has been

      a. planted to an agricultural commodity in at least two of the five years 1981 through 1985.

      b. meet the definition of highly erodible land for CRP purposes announced by the Secretary.

   -- implement an approved conservation plan.

   -- refrain from grazing or harvesting any crops from the land enrolled in CRP.

   -- reduce the aggregate total of acreage bases, allotments, and quotas for the contract period by an amount based on the ratio of the total cropland acreage and the total acreage subject to the CRP contract.

3. Annual Rental Payments. Annual rental payments, subject to compliance certification, are made after October 1 of the effective year of the contract. Rental payments for crop year 1986 rental agreements were disbursed beginning October 1, 1986, using CCC commodity certificates unless the payment was less than $100.

4. Cover Practices. Farm owners and operators receive one-time cost-sharing payments for 50 percent of the eligible costs of establishing vegetative cover on the reserve acreage.

5. Technical Assistance. The technical services of the Soil Conservation Service, Forest Service, and other appropriate agencies are used to carry out the CRP.

JUSTIFICATION OF INCREASE

An increase of $1,388,000,000 for a separate appropriation for annual rental payments, cover and technical assistance costs ($700,000,000 available in the Commodity Credit Corporation in fiscal year 1987).

Need for Change. In order to facilitate the implementation of the Conservation Reserve Program, the Food Security Act of 1985 provided that for fiscal years 1986 and 1987, funds of the Commodity Credit Corporation would be used. Beginning in fiscal year 1988, the services and facilities of the Corporation may continue to be used, but the law requires that appropriations must be provided in advance to CCC to carry out the program. A separate, 10-year appropriation is proposed, which would cover cash outlays coming due each year; the $1.388 billion requested is needed for estimated payments due in fiscal year 1988 only. Full up-front 10-year funding for 1988 contracts and remaining full funding not financed by CCC for 1986 and 1987 crop contracts during FY 1986 and FY 1987 is not requested.

Nature of Change. In fiscal year 1988, a sign-up of 10-13 million acres of highly erodible cropland is projected. The fiscal year 1988 request would provide $689 million for cost-sharing practices to establish cover on newly enrolled acres, $678 million for cash rental payments for 1986 and 1987 crop acreage contracts signed during FY 1986 and FY 1987, and $21 million for Forest Service and other technical assistance. In addition an estimated $98 million in CCC commodity certificates would be used to pay the balance of estimated rental payments due in FY 1988. Projected rental payments paid with CCC commodity certificates are not included in the requested CRP appropriation amount. Reimbursement to CCC for commodity certificates used for the CRP, which are recorded as realized losses of the Corporation, will be requested through the existing procedures for restoring CCC losses.

COMMODITY CREDIT CORPORATION

The estimates include no appropriation language for this item. Deleted matter is enclosed in brackets.

Temporary Emergency Food Assistance Program:

[For necessary expenses to carry out the Temporary Emergency Food Assistance Act of 1983, as amended, $50,000,000: Provided, That in accordance with section 202 of Public Law 98-92, these funds shall be available only if the Secretary determines the existence of excess commodities.]

This change proposes deletion of the language related to the Temporary Emergency Food Assistance Program since no funding is proposed for this program in Fiscal Year 1988. Legislative authority for this program expires at the end of Fiscal Year 1987.

TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM

Appropriation Act, 1987		$50,000,000
Budget Estimate, 1988		--
Decrease in Appropriation		-50,000,000
Adjustments in 1987:		
Appropriation Act, 1987	$50,000,000	
Transfer out for pay raises and retirement contributions	-28,559,000	
Adjusted base for 1987		$21,441,000
Budget estimate, 1988		---
Decrease under adjusted 1987		-21,441,000

SUMMARY OF DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Program Change	1988 Estimated
Temporary Emergency Food Assistance	$21,441,000	-$21,441,000	--

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Temporary Emergency Food Assistance	$50,000,000	$21,441,000 a/	-$21,441,000	--

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Temporary Emergency Food Assistance	$49,575,121	$21,441,000 a/	-$21,441,000	--
Unobligated balances:				
Available, start of year	-237,159	--	--	--
Lapsing	662,038	--	--	--
Total, Appropriation	50,000,000	21,441,000 a/	-21,441,000	--

a/ The President's Fiscal Year 1988 Budget contains a proposal to transfer out $28,559,000 of the $50,000,000 appropriated in Fiscal Year 1987 for TEFAP administrative expenses. This transfer would leave $21,441,000 available for TEFAP in Fiscal Year 1987.

EXPLANATION OF PROGRAM

Section 204 of Public Law 98-8, as amended by Public Law 98-92, appropriated funds for Fiscal Year 1983 and authorized funds through Fiscal Year 1985 for costs of storage and intrastate distribution of CCC commodities donated to individuals by States. Section 1569 of Public Law 99-198 authorized funds through Fiscal Year 1987 for this purpose.

Funds are distributed by the Food and Nutrition Service to States through grants. Allocation of the funds to States is based on a formula which considers the States' number of unemployed persons and the number of persons with incomes below the poverty level. During Fiscal Year 1986, $49.6 million was used for this purpose. In 1987 Congress appropriated $50 million to be distributed to States. However, the Administration has proposed to transfer $28,559,000 of the amount appropriated to other accounts for pay raises and retirement contributions.

In Fiscal Year 1986, $846.2 million worth of surplus commodities were distributed to assist needy individuals. Donations will continue in Fiscal Year 1987. Precise levels will depend upon the availability of surplus commodities and requirements regarding market displacement.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $21,441,000 for the temporary storage and distribution of commodities.

Need for Change. No funds are requested for the continuation of the Temporary Emergency Food Assistance Program in Fiscal Year 1988.

Nature of Change. In Fiscal Year 1988, excess commodities will be offered to the States. It is anticipated that State, local and voluntary resources would be used for intrastate storage and distribution of these free commodities. The decrease would be $21,441,000 from Fiscal Year 1987 to Fiscal Year 1988.

ADMINISTRATIVE EXPENSES
UNDER THE TEMPORARY EMERGENCY FOOD ASSISTANCE PROGRAM
FISCAL YEAR 1986 AND ESTIMATED 1987 AND 1988

State/Territory	ACTUAL FY 1986	EST. FY 1987	ESTIMATED FY 1988
Alabama	$1,150,307	$482,728	$0
Alaska	0	$0	0
Arizona	538,767	$251,152	0
Arkansas	663,177	$273,390	0
California	4,644,256	$2,014,169	0
Colorado	549,957	$248,231	0
Connecticut	486,098	$179,322	0
Delaware	103,648	$46,982	0
District of Columbia	185,751	$72,891	0
Florida	2,172,021	$864,093	0
Georgia	1,373,825	$555,660	0
Hawaii	165,917	$68,466	0
Idaho	217,855	$91,915	0
Illinois	2,719,001	$1,047,616	0
Indiana	1,097,130	$414,443	0
Iowa	557,319	$218,133	0
Kansas	375,885	$168,062	0
Kentucky	1,068,314	$447,996	0
Louisiana	1,344,333	$613,551	0
Maine	227,989	$92,855	0
Maryland	698,478	$271,381	0
Massachusetts	855,239	$359,877	0
Michigan	2,214,971	$857,927	0
Minnesota	683,695	$286,738	0
Mississippi	892,215	$401,947	0
Missouri	999,246	$405,193	0
Montana	173,032	$73,700	0
Nebraska	274,543	$110,644	0
Nevada	172,241	$62,335	0
New Hampshire	132,192	$52,934	0
New Jersey	829,000	$507,846	0
New Mexico	367,676	$161,683	0
New York	3,894,930	$1,584,490	0
North Carolina	1,266,824	$535,532	0
North Dakota	126,187	$58,591	0
Ohio	2,291,219	$915,447	0
Oklahoma	698,658	$313,443	0
Oregon	623,910	$253,239	0
Pennsylvania	2,503,328	$955,383	0
Rhode Island	160,174	$60,093	0
South Carolina	728,306	$319,735	0
South Dakota	163,503	$61,949	0
Tennessee	1,281,677	$512,206	0
Texas	3,699,388	$1,688,303	0
Utah	263,724	$107,853	0
Vermont	89,009	$37,876	0
Virginia	935,579	$411,163	0
Washington	832,769	$351,399	0
West Virginia	480,380	$202,192	0
Wisconsin	808,859	$335,537	0
Wyoming	80,933	$41,931	0
American Samoa	0	$0	0
Guam	26,456	$11,252	0
N. Mariana Islands	10,441	$4,433	0
Puerto Rico	1,310,265	$963,510	0
Trust Territories	0	$0	0
Virgin Islands	28,561	$11,583	0
Adjustment	-662,037	0	0
TOTAL	$49,575,121	$21,441,000	$0

COMMODITY CREDIT CORPORATION

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

General Sales Manager (Allotment from Commodity Credit Corporation):

Not to exceed [$6,027,000] $7,268,000 may be transferred from the Commodity Credit Corporation funds to support the General Sales Manager who shall work to expand and strengthen sales of U.S. commodities (including those of the Corporation) in world markets pursuant to existing authority (including that contained in the Corporation's charter), and that such funds shall be used by the General Sales Manager to carry out the above activities. The General Sales Manager shall report directly to the Board of Directors of the Corporation of which the Secretary of Agriculture is a member. The General Sales Manager shall obtain, assimilate, and analyze all available information on developments related to private sales, as well as those funded by the Corporation, including grade and quality as sold and as delivered, including information relating to the effectiveness of greater reliance by the General Sales Manager upon loan guarantees as contrasted to direct loans for financing commercial export sales of agricultural commodities out of private stocks on credit terms, as provided in titles I and II of the Agricultural Trade Act of 1978, Public Law 95-501, and shall submit [quarterly] annual reports to the appropriate committees of Congress concerning such developments.

This change proposes to change the quarterly reporting requirment to an annual reporting requirement.

GENERAL SALES MANAGER
ALLOTMENT FROM COMMODITY CREDIT CORPORATION

Allotment, 1987		$6,027,000
Budget Estimate, 1988		7,268,000
Increase in Allotment		+1,241,000
Adjustments in 1987		
Allotment, 1987	$6,027,000	
Pay costs and FERS	+ 221,000 a/	
1987 Supplemental for administration of export programs mandated in the Food Security Act of 1985	+ 705,000	
Adjusted base for 1987		6,953,000
Budget Estimate, 1988		7,268,000
Increase over adjusted 1987		+ 315,000

a/ Includes an increase of $114,000 for pay increases and $107,000 for FERS.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted allotment)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
General Sales Manager	$6,953,000	$315,000 b/	--	$7,268,000

b/ Includes an increase of $49,000 for pay increases effective in FY 1987 and $266,000 for increased costs associated with FERS.

PROJECT STATEMENT
(On basis of adjusted allotment)

Project	1986 Actual Amount	1986 Actual Staff Years	1987 Estimated Amount	1987 Estimated Staff Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff Years
General Sales Manager	$5,827,000	106	$6,953,000	116	+$315,000(1)	$7,268,000	116
Total available or estimate	5,827,000	106	6,953,000	116	+ 315,000	$7,268,000	116
Proposed Supplemental for pay costs	--	--	- 114,000				
Proposed Supplemental for Federal Employee Retirement System Costs	--	--	- 107,000				
Proposed Supplemental for Administration of export programs mandated in the Food Security Act of 1985	--	--	- 705,000				
Total, allotment	$5,827,000	106	$6,027,000				

EXPLANATION OF PROGRAM

The General Sales Manager was established pursuant to Section 5(f) of the Charter of the Commodity Credit Corporation and 15 U.S.C. 714-714p. The funds allocated are used for conducting the following programs:

(1) CCC Export Credit Guarantee Program (GSM-102), (2) Intermediate Credit Guarantee Program (GSM-103), (3) Export Enhancement Program, (4) Targeted Export Assistance Program, (5) Public Law 480, (6) Section 416 Overseas Donations program, and (7) programs authorized by the Commodity Credit Corporation Charter Act including barter, export sales of most CCC-owned commodities, export payments and other programs as assigned to encourage or cause the export of U.S. agricultural commodities.

REVIEWS COMMENCED DURING FY 1986

GAO Reviews

Code 483430	Review of the Effectiveness, Cost and Risk of the CCC Export Credit and Export Guarantee Programs	Review of policy and operational aspects of CCC financed export programs.
Code 472095	Efforts to Increase Development Impact of PL 480	Review of efforts to strengthen PL 480 program impact.
Code 308776	Feasibility of Using CCC-Owned Commodities as Collateral to Finance Construction of Ethanol Plants	Review of potential for financing new ethanol plants.
Code 472114	Accountability and Control of U.S. Assistance in Indonesia	Review of operational aspects of U.S. aid.
Code 472115	Accountability and Control Over Economic Assistance	Review of program controls and administration.
Code 472116	Accountability and Control of U.S. Assistance in Liberia	Review of program controls and administration.
Code 472120	Review of Selected Aspects of PL 480 and Food Security Act of 1985	Review of administration of PL 480 and CCC program activities.
Code 472095	Review of Efforts to Increase the Economic and Market Developmental Impact of PL 480 Programs in Africa	Review of administration of PL 480 program in Africa.

OIG Reviews

5010-2-Hy	FAS/ASCS Title I PL 480 Fiscal Accountability	Review of FAS/ASCS fiscal accountability procedures, controls and responsibilities.
Wa-3630-1	P.L. 480 Program Compliance	Investigation -- Program compliance.
50816-1-Hq	Food Security Act of 1985	Review of implementation of legislation.
7099-9-Hy	Survey of PL 480 Title II Private Voluntary Organizations Use of Foreign Currencies	Review of program administration.
50659-2-Ch	Dairy Termination Program	Review of program administration.
07099-12-Hy	Section 416 Program	Review of program administration.

07099-11-Hy	Direct Sales From CCC Inventory	Review of program alternatives and administration.
07099-8-Hy	Infestation of Commodities -- Dominican Republic	Review of program administration.
50099-43-Hy	Beef Sales to Brazil	Review of shipping activities.

REVIEWS COMPLETED IN FY 1986

GAO Reviews

Code 472039	Financial and Management Improvements Needed in the Food for Development Program	Review of alternative procedures for administration of Food for Development Program.
Code 483370	Ocean Shipment of PL 480, Title I Commodities	Review of shipping and transportation procedures for PL 480 commodities.
Code 472053	Compendium of GAO Reports Pertaining to PL 480 from July 1973 through August 1985	Listing of all relevant GAO reports.
Code 472051	Famine in Africa: Improving U.S. Response Time for Emergency Relief	Review of options for improving program administration.

OIG Reviews

50816-1-Hq	Food Security Act of 1985	Review of implementation of legislation.
NY-780-1	Submission of False Statements Under GSM-102	Investigation -- Program compliance.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $315,000 for the General Sales Manager ($6,953,000 available in 1987) consisting of an increase of $49,000 to annualize 1987 pay costs and to restore pay costs absorbed in 1987 and an increase of $266,000 to fund increased costs associated with the Federal Employees Retirement System.

General Sales Manager
Allotment from Commodity Credit Corporation
GEOGRAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
District of Columbia	$5,827,000	106	$6,953,000	116	$7,268,000	116
Total, Available or Estimate	$5,827,000	106	$6,953,000	116	$7,268,000	116

HUMAN NUTRITION INFORMATION SERVICE

Purpose Statement

The Human Nutrition Information Service (HNIS) was established October 1, 1981, by the Secretary's Memorandum No. 1000-1 issued pursuant to Reorganization Plan No. 2 of 1953 (7 U.S.C. 2201). Most of the functions of this Agency have been carried out by USDA for several decades. HNIS activities are in one major category: Research, Analysis and Technical Assistance which is concerned with the conduct and interpretation of applied research in human nutrition to improve professional and public understanding of food consumption by U.S. households and individuals and nutritional adequacy of diets and food supplies, as well as the nutritive value of food, and to develop knowledge needed to improve the nutritional quality of diets, thereby improving the general health of the American public.

The Agency has primary responsibility for the Department's role in the National Nutrition Monitoring System and in formulating dietary guidelines for healthy Americans. It is the primary national resource for information on the nutritive value of foods.

The Agency is located at Hyattsville, Maryland, and Beltsville, Maryland. As of September 30, 1986, there were 74 permanent full-time and 20 part-time employees.

HUMAN NUTRITION INFORMATION SERVICE

Available Funds and Staff-Years

1986 Actual and Estimated 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Salaries and Expenses	$12,889,000	87	$6,985,000	95	$8,704,000	95
Other Federal Funds:						
U.S. Department of Health and Human Services for acquisition and compilation of data on the nutrient content of foods	75,000	--	75,000	--	--	
Total, Human Nutrition Information Service	12,964,000	87	7,060,000	95	8,704,000	95

Full-Time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	87	95	95
Non-ceiling	--	--	--
Total	87	95	95

HUMAN NUTRITION INFORMATION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	1986 Headquarters	1987 Headquarters	1988 Headquarters
GS/GM-15	4	3	3
GS/GM-14	5	6	6
GS/GM-13	10	11	11
GS-12	10	8	8
GS-11	15	16	16
GS-9	11	13	13
GS-7	8	9	9
GS-6	3	6	6
GS-5	7	7	7
GS-4	1	4	4
Total Permanent Positions	74	83	83
Staff Years			
Ceiling	87	95	95
Non-Ceiling	--	--	--
TOTAL	87	95	95

HUMAN NUTRITION INFORMATION SERVICE

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988

	1986	1987	1988
Personnel Compensation:			
Headquarters:			
11 Total personnel compensation	$ 2,647,305	$ 2,868,000	$ 2,960,000
12 Personnel Benefits	301,461	333,000	569,000
13 Benefits for former personnel	---	---	---
Total Pers. Comp. & Benefits	2,948,766	3,201,000	3,529,000
Other Objects:			
21 Travel	29,703	50,000	50,000
22 Transportation of things	3,375	4,000	4,000
23.2 Rental payments to others	---	---	---
23.3 Communications, utilities, and misc. charges	89,634	200,000	200,000
24 Printing and reproduction	250,801	100,000	100,000
25 Other services	8,584,566	3,190,000	4,461,000
26 Supplies and materials	55,582	150,000	150,000
31 Equipment	482,921	90,000	210,000
Total other objects	9,496,582	3,784,000	5,175,000
Total direct obligations	12,445,384	6,985,000	8,704,000
Position Data:			
Average Salary, GS positions	$30,427	$29,470	$30,409
Average Grade, GS positions	10.2	9.8	9.8

HUMAN NUTRITION INFORMATION

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses

For necesssary expenses to enable the Human Nutrition information Service to perform applied research and demonstrations relating to human nutrition and consumer use and economics of food utilization [$6,876,000] $8,704,000: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706(a) of the Organic Act of 1944 (7 U.S.C. 2225).

SALARIES AND EXPENSES

Appropriation Act, 1987	$6,876,000
Budget Estimate, 1988	8,704,000
Increase in Appropriation	+1,828,000

Adjustments in 1987		
Appropriation Act, 1987	$6,876,000	
Transfers in for Civilian pay raises	+34,000	
Transfers in for Retirement Contributions	+75,000	
Adjusted Base for 1987		$6,985,000
Budget Estimate, 1988		8,704,000
Increase over adjusted		1,719,000

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Cost and FERS	Program Changes	1988 Estimated
Human Nutrition Information Service	$6,985,000	+$219,000 a/	+$1,500,000	$8,704,000

a/ Includes an increase of $58,000 for pay increases effective in Fiscal Year 1987 and $161,000 for increased costs associated with the new Federal Employees Retirement System (FERS).

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff-Years	1987 Estimated Amount	1987 Estimated Staff-Years	Increase	1988 Estimated Amount	1988 Estimated Staff Years
1. Research, Analysis and Technical Assistance	12,445,348	87	6,985,000	95	+1,719,000(1)	8,704,000	95
Unobligated Balance	443,652	--	--	--			--
Total available or estimate	12,889,000	87	6,985,000	95	+1,719,000	8,704,000	95
Transfer to:							
Departmental Administration and Office of Governmental and Public Affairs	12,000	--	--	--			
Transfers in for Civilian Pay Raises	--	--	-34,000	--			
Transfers in for Retirement Contributions	--	--	-75,000	--			
Total Appropriations	12,901,000	87	6,876,000	95			

EXPLANATION OF PROGRAM

The appropriation "Salaries and Expenses" of the Human Nutrition Information Service funds the activities authorized by Sections 1451-1453 and 1589 of Public Law 99-198 (7 U.S.C. 3173 note and 3178a). The activities carried out are as follows:

-- Research, Analysis, and Technical Assistance - This activity is concerned with the conduct and interpretation of applied research in human nutrition to improve professional and public understanding of the nutritional adequacy of diets and food supplies as well as the nutritive value of foods and to develop knowledge needed to improve the nutritional quality of diets, thereby improving the general health of the American public.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A net increase of $1,719,000 consisting of:

(a) An increase of $58,000 to annualize FY 1987 pay costs and to restore pay costs absorbed in FY 1987 and an increase of $161,000 to fund increased costs associated with the new Federal Employees Retirement System.

(b) A program increase of $1,500,000 for the Continuing Survey of Food Intakes by Individuals (CSFII).

Need for Change. Data from the 1985 and 1986 CSFII have been evaluated and will be compared with that of the comprehensive decennial 1977-78 Nationwide Food Consumption Survey. Analyses indicate the need for continuous monitoring of the dietary status of all sex-age groups.

Nature of Change: Field work and data collection of the expanded CSFII will be initiated in 1989.

HUMAN NUTRITION INFORMATION SERVICE
GEOGAPHIC BREAKDOWN OF OBLIGATIONS AND STAFF-YEARS
1986 and Estimated 1987 and 1988

	1986		1987		1988	
	Amount	Staff-Years	Amount	Staff-Years	Amount	Staff-Years
Maryland.....	$12,457,348	87	$6,985,000	95	$8,704,000	95
Total, Available or Estimate.....	12,457,348	87	6,985,000	95	8,704,000	95

FOOD AND NUTRITION SERVICE

Purpose Statement

The Food and Nutrition Service was established August 8, 1969, by Secretary's Memorandum No. 1659 and Supplement 1 pursuant to the authority contained in 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953.

The Food and Nutrition Service administers food assistance programs which provide access to a more nutritious diet for persons with low incomes and encourage better eating patterns among the nation's children. The programs are:

Food Stamp Program. Food stamps are issued to eligible low-income households to enable them to obtain a better diet by increasing their food purchasing power. The Food and Nutrition Service administers the program in cooperation with State welfare agencies, and provides for the full cost of the food stamps in addition to sharing all direct and indirect administrative costs incurred by the States on a 50-50 basis. If, however, States reduce their error rates below the five percent level they are eligible to receive enhanced administrative funding of 60 percent. In addition, States receive 75 percent of their costs incurred for developing food stamp computer systems and 75 percent of their costs for fraud investigations and prosecutions. Funds for this program are provided by direct appropriation.

Child Nutrition Programs. The Child Nutrition Programs--the National School Lunch, School Breakfast, Summer Food Service and Child Care Food Programs--provide funding for the service of nutritious meals to needy and other children attending schools, child care institutions, and summer recreational programs as a means of safeguarding the health and proper physical development of the nation's children. The Food and Nutrition Service works through State agencies, providing them with cash and commodities for use in preparing and serving meals, and administers the various child nutrition programs directly in cases where the State has chosen not to administer the programs. Funds for these programs are provided by direct appropriation and by transfer from Section 32.

Special Milk Program. The Special Milk Program provides funding for milk service in schools, nonprofit child care centers and camps which have no other federally assisted food programs. Since the enactment of the Child Nutrition Amendments of 1986, this provision does not apply to split-session kindergartens where children do not have access to the federally assisted food programs. This milk is provided to children either free or at a low cost. The Food and Nutrition Service provides cash subsidies to State administered programs and directly administers the program in the States which have chosen not to administer the program. Funds for this program are provided by direct appropriation.

Supplemental Nutrition Assistance (WIC). In the WIC Program, pregnant, post-partum and breastfeeding women and infants and children up to five years of age who are found to be at "nutritional risk" receive supplemental foods from their local health clinics. State departments of health receive cash grants from the Food and Nutrition Service for this activity. Twenty percent of the total program funding is provided to the States for State and local administrative costs. Funds for this program are provided by direct appropriation.

Commodity Supplemental Food Program (CSFP). The CSF Program provides supplemental food to a target population similar to that of the WIC Program. The foods, however, are purchased directly by the Department of Agriculture and distributed to eligible women, infants and children up to six years of age through State and local agencies. The Food and Nutrition Service provides cash assistance to distributing agencies to offset their operating expenses at a rate of 15 percent of appropriated funding plus 15 percent of the value of commodities donated as part of the food package.

The USDA operates Elderly Feeding Pilot Projects (EFPP) in three locations. Using CSFP local agency sites and various commodities provided through CSFP, these pilot projects focus on volunteer delivery of food packages to homebound elderly persons. Funds for these programs are provided by direct appropriation.

Cash and Commodities for Selected Groups

Needy Family Program. The Needy Family Program provides USDA donated foods to help meet the nutritional needs of low-income households on Indian reservations, Indian households near these reservations and the Trust Territory of the Pacific Islands. The program also helps to expand markets for food produced by American farmers. Monthly packages of USDA donated commodities are distributed to beneficiary households from local warehouse facilities. Participating agencies can order food items according to households' preferences. Participants receive information about nutrition, proper food storage, sanitary food preparation methods and suggestions for using donated foods from nutritionists, County Extension Home Economists and other sources. Funds for this program are provided by direct appropriation.

Nutrition Program for the Elderly. The Nutrition Program for the Elderly provides nutritious meals for elderly people. State Agencies on Aging designate Area Agencies on Aging to plan and coordinate the nutrition program through local outlets. The State Agencies on Aging request USDA-donated foods, cash in lieu of food, or a combination of both to provide meals to the elderly at various sites. The amount of food or cash that USDA gives each State is based on the number of meals served in the program and the level of available funds. Funds for this program are provided by direct appropriation.

Nutrition Assistance for Puerto Rico. As a result of the Omnibus Budget Reconciliation Act of 1981, the Food and Nutrition Service now provides the Commonwealth of Puerto Rico with a nutrition assistance block grant which gives the Commonwealth broader flexibility to establish a food assistance program specifically tailored to the needs of their low-income households. Since July 1, 1982, the Commonwealth has been providing food assistance to low-income households in the form of cash grants, rather than coupons. Funds for this program are provided by direct appropriation.

Temporary Emergency Food Assistance Program (TEFAP). The Temporary Emergency Food Assistance Program provides funding for the intrastate storage and distribution of USDA donated commodities. The funds are made available to State and local distributing organizations through grants administered by the Food and Nutrition Service.

Under this program, assistance may be provided to cover the costs incurred by charitable institutions, food banks, hunger centers, soup kitchens, and similar non-profit eligible recipient agencies providing nutrition assistance to relieve situations of emergency and distress through the provision of food to needy persons, including low-income and unemployed persons.

The allocation of funds to the States is based upon a formula which considers the States' unemployment level and the number of persons with incomes below the poverty level. Funds for this program are provided by direct appropriation.

Food Program Administration. This account provides for the salaries and operating expenses of the Food and Nutrition Service. The Headquarters of the Agency is at the Park Office Center, Alexandria, Virginia. The Food and Nutrition Service maintains seven regional offices located at: Boston, Massachusetts; Robbinsville, New Jersey; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Denver, Colorado; and San Francisco, California. On September 30, 1986, there were 1,826 full-time permanent and 68 part-time and temporary employees in the Agency. Of these, there were 1,310 employees located in the seven regional offices and 584 in the Alexandria headquarters. Also, of the regional total, 458 employees were stationed in 116 field locations including 36 food stamp compliance offices, one computer support center, five administrative review offices and 74 field offices. Funds for this program are provided by direct appropriation.

FOOD AND NUTRITION SERVICE
Available Funds and Staff-Years
1986 Actual and Estimated, 1987 and 1988

Item	1986 Actual		1987 Estimated		1988 Estimated	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Child Nutrition Programs:						
Appropriation	$601,455,000		$897,423,000		$1,106,614,000	
Transfer from Section 32	3,271,592,000		3,295,937,000		3,368,612,000	
Total Child Nutrition Programs	3,873,047,000	15	4,193,360,000 [a]	15	4,475,226,000	
Special Milk Program	[b] 11,500,000		[c] 18,295,000		33,974,000	
Supplemental Nutrition Assistance (WIC)	[d] 1,580,494,000		[e] 1,663,497,000		1,687,541,000	
Commodity Supplemental Food Program	[f] 36,777,000		[g] 41,497,000		34,590,000	
Food Stamp Program	[h] 11,817,653,000		[i] 11,831,915,000	15	11,962,550,000	4
Nutrition Assistance for Puerto Rico	820,050,000		852,750,000		825,000,000	
Cash and Commodities for Selected Groups:						
Needy Family Program	54,006,000		56,432,000		52,891,000	
Nutrition Program for the Elderly	139,583,000		137,157,000		140,312,000	
Total Cash and Commodities for Selected Groups	193,589,000		193,589,000		193,203,000	
Food Program Administration:						
Salaries and Expenses	[j] 78,399,000	1,997	[k] 84,767,000	1,968	87,942,000	1,921
Total, Food and Nutrition Service Funds	18,411,509,000	2,012	18,879,670,000	1,998	19,300,026,000	1,925
Obligations under other USDA appropriations:						
Human Nutrition Information Service for Administrative Support	230,400	5	180,000	5	180,000	5
Miscellaneous Reimbursements	--		10,000		10,000	
Total, Other USDA Appropriations	230,400	5	190,000	5	190,000	5

Item	1986 Actual Amount	1986 Actual Staff Years	1987 Estimated Amount	1987 Estimated Staff Years	1988 Estimated Amount	1988 Estimated Staff Years
Other Federal Funds:						
Army Audit Agency for Health Services	7,488		10,000		10,000	
Walter Reed Army Medical Center for Social Science Services	64,339	1	--		--	
Total, Other Federal Funds	71,827	1	10,000		10,000	
Total, Food and Nutrition Service	18,411,811,227	2,018	18,879,870,000	2,003	19,300,226,000	1,930

Full-Time Equivalent Staff-Years:	1986 Actual	1987 Estimated	1988 Estimated
Ceiling	1,995	1,980	1,890
Non-Ceiling	23	23	40
Total	2,018	2,003	1,930

[a] Excludes $8,389,590 in unobligated balances.

[b] Excludes $6,475,016 in Fiscal Year 1985 funds carried forward.

[c] Excludes $1,513,623 in Fiscal Year 1986 funds carried forward.

[d] Excludes $372,327 in unobligated balances.

[e] Excludes $53,753 in unobligated balances.

[f] Excludes $141,033 in unobligated balances.

[g] Excludes $9,079 in unobligated balances.

[h] Includes $55,337,000 for transfers to Extension Service ($38,627,000), Office of the Inspector General ($15,924,000), and Office of the General Counsel ($786,000).

[i] Includes $38,627,000 for transfer to Extension Service.

[j] Excludes $82,000 for transfer of $63,000 to Departmental Administration and transfer of $19,000 to the Office of Governmental and Public Affairs.

[k] Includes $713,000 for pay increases and $1,503,000 for retirement costs. Excludes $27,000 for transfer to Departmental Administration.

FOOD AND NUTRITION SERVICE

Permanent Positions by Grade and Staff-Year Summary

1986 and Estimated 1987 and 1988

Grade	1986			1987			1988		
	Headquarters	Field	Total	Headquarters	Field	Total	Headquarters	Field	Total
ES-5	1	1	2	1	1	2	1	1	2
ES-4	1	5	6	1	5	6	1	5	6
ES-3	2	1	3	2	1	3	2	1	3
ES-2	1	0	1	1	0	1	1	0	1
ES-1	1	0	1	1	0	1	1	0	1
GS/GM-15	18	7	25	18	7	25	18	7	25
GS/GM-14	56	34	90	54	34	88	54	33	87
GS/GM-13	101	79	180	98	77	175	98	75	173
GS-12	127	184	311	123	179	302	123	175	298
GS-11	156	386	542	151	376	527	151	367	518
GS-10	0	1	1	0	1	1	0	1	1
GS-9	26	318	344	26	309	335	26	302	328
GS-8	11	7	18	11	7	18	11	7	18
GS-7	50	59	109	49	58	107	49	57	106
GS-6	35	55	90	34	54	88	34	52	86
GS-5	47	175	222	46	171	217	46	168	214
GS-4	27	69	96	27	68	95	27	66	93
GS-3	13	14	27	13	14	27	13	14	27
GS-2	1	2	3	1	2	3	1	2	3
Ungraded Positions	7	0	7	7	0	7	7	0	7
Total Permanent Positions	681	1,397	2,078	664	1,364	2,028	664	1,333	1,997
Staff-Years:									
Ceiling	597	1,398	1,995	593	1,387	1,980	566	1,324	1,890
Non-Ceiling	3	20	23	3	20	23	5	35	40
TOTAL	600	1,418	2,018	596	1,407	2,003	571	1,359	1,930

FOOD AND NUTRITION SERVICE

CLASSIFICATION BY OBJECTS

1986 and Estimated 1987 and 1988
(dollars in thousands)

	1986	1987	1988
Personnel Compensation:			
Headquarters	$19,989	$19,641	$20,028
Field	40,186	39,252	39,204
11 Total personnel compensation	60,175	58,893	59,232
12 Personnel benefits	7,229	8,410	12,294
13 Benefits for former personnel	81	50	46
Total Pers. Comp and Benefits	67,485	67,353	71,572
Other Objects:			
21 Travel and transportation of persons	2,356	3,418	3,255
22 Transportation of things	2,428	5,166	5,347
23.2 Rental payments to others	258	417	436
23.3 Communications, utilities, and miscellaneous charges	4,208	4,894	5,027
24 Printing and reproduction	22,383	31,975	33,095
25 Other services	29,766	34,231	33,390
26 Supplies and materials	207,277	209,445	227,650
31 Equipment	291	3,898	1,463
41 Grants, subsidies, and contributions	17,906,327	18,481,850	19,151,791
42 Insurance claims and indemnities	1	0	0
Total Other Objects	18,175,295	18,775,294	19,461,454
Total direct obligations	18,242,780	18,842,647	19,533,026

Position Data:

Average Salary, ES positions.....	$66,438	$66,438	$66,438
Average Salary, GM/GS positions.....	$28,964	$29,115	$29,314
Average Grade, GM/GS positions.....	9.6	9.6	9.6

Food Assistance Table
(Dollars In Thousands)
Current Law

PROGRAM LEVEL	1986 Actual	1987 Estimate	1988 Estimate	Change 1987-1988
A. Child Nutrition Programs:				
1. Cash payments to States:				
a. School lunch program	2,681,036	2,888,185	3,060,449	172,264
b. School breakfast program	404,874	453,729	479,819	26,090
c. Child care food program	475,818	537,174	602,096	64,922
d. Summer food service program	121,807	128,290	137,649	9,359
e. State administrative expenses	40,646	51,217	33,814	-17,403
TOTAL, Cash payments to States	3,724,181	4,058,595	4,313,827	255,232
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	133,129	127,295	154,314	27,019
b. AMS Section 32 commodities	344,350	350,900	350,900	0
c. CCC bonus commodities	339,318	339,318	339,318	0
d. AMS bonus commodities	108,897	108,897	108,897	0
TOTAL, Commodities to States	925,694	926,410	953,429	27,019
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,347	2,470	2,085	-385
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
TOTAL, Nutrition studies and education	7,347	7,470	7,085	-385
TOTAL, Child Nutrition Programs	4,657,222	4,992,475	5,274,341	281,866
AMS Section 32 commodities	344,350	350,900	350,900	0
CCC bonus commodities	339,318	339,318	339,318	0
AMS bonus commodities	108,897	108,897	108,897	0
FNS Child nutrition account	3,864,657	4,193,360	4,475,226	281,866
B. Special Milk Program:				
1. Cash Payments to States	16,461	19,809 a/	33,974	14,165
C. Supplemental Nutrition Assistance Program (WIC):				
1. Cash Grants to States	1,614,459	1,691,551	1,685,441	-6,110
2. Studies and Evaluations	2,336	2,000	2,100	100
TOTAL, Supplemental Nutrition Assistance Program (WIC)	1,616,795 b/	1,693,551 b/	1,687,541	-6,010
D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food	25,260	24,103	24,163	60
2. Payments to distributing agencies for administration	6,698	6,756	6,372	-384
3. Elderly feeding projects: food	3,949	7,767	2,901	-4,866
admin.	1,002	2,880	1,154	-1,726
4. CCC donations	13,213	22,741	15,581	-7,160
TOTAL, Commodity Supplemental Food Program (CSFP)	50,122	64,247	50,171	-14,076
E. Food Stamp Program:				
1. Benefit costs	10,626,339	10,675,641	11,038,560	362,919
2. State administrative costs	894,248	942,600	977,476	34,876
3. State anti-fraud activities	52,705	63,400	57,472	-5,928
4. Other program costs	79,733	111,647	122,042	10,395
5. Excess state error liabilities	0	0	0	0
6. Transfer to Office of Inspector General/OGC/Extension Service	0	0	0	0
TOTAL, Food Stamp Program	11,653,025	11,793,288	12,195,550	402,262
F. Nutrition Assistance for Puerto Rico	820,050	852,750	825,000	-27,750

PROGRAM LEVEL CURRENT LAW	1986 Actual	1987 Estimate	1988 Estimate	Change 1987-1988
G. Cash and Commodities for Selected Groups:				
1. Needy Family Program:				
a. Commodities in lieu of food stamps	39,114	36,800	37,088	288
b. Contingency food purchases	0	3,876	0	-3,876
c. Distributing agency administrative costs	14,881	15,756	15,803	47
TOTAL, Needy Family Program	53,995	56,432	52,891	-3,541
2. Nutrition Program for the Elderly:				
a. Commodities	5,076	7,800	8,600	800
b. Cash-in-lieu of commodities	134,507	129,357	131,712	2,355
TOTAL, Nutrition Program for Elderly	139,583	137,157	140,312	3,155
TOTAL, Cash and Commodities for Selected Groups	193,578	193,589	193,203	-386
H. Bonus and TEFAP Commodities, and Grants to Other Outlets:				
1. Bonus commodities:				
Section 416 bonus				
(a) Needy Family Program	12,238	12,238	12,238	0
(b) Nutrition Program for the Elderly	6,399	6,399	6,399	0
(c) Charitable institutions	125,954	125,954	125,954	0
(d) Summer camps	4,799	4,799	4,799	0
Section 32 bonus				
(a) Needy Family Program	234	234	234	0
(b) Nutrition Program for the Elderly	961	961	961	0
(c) Charitable institutions	108,241	108,241	108,241	0
(d) Summer camps	903	903	903	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities	846,242	846,242	846,242	0
2. Grants:				
TEFAP Administrative Expense	50,237	21,441 c/	0	-21,441
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets	1,156,208	1,127,412	1,105,971	-21,441
I. Food Program Administration:				
1. Child nutrition	25,477	27,491	28,510	1,019
2. Special milk	145	149	154	5
3. Supplemental nutrition assistance	6,445	6,952	7,210	258
4. Food stamp	44,878	48,617	50,417	1,800
5. Food donations	1,651	1,785	1,851	66
TOTAL, Food Program Administration	78,596	84,994	88,142	3,148
GRAND TOTAL, Food Assistance	20,242,057	20,822,115	21,453,893	631,778
Section 32 commodities	344,350	350,900	350,900	0
CCC bonus commodities	501,921	511,449	504,289	-7,160
TEFAP Commodities and Administrative Expense	896,479	867,683	846,242	-21,441
AMS bonus commodities	219,236	219,236	219,236	0
FNS	18,280,071	18,872,847	19,533,226	660,379

a/ Includes obligation of funds from supplemental appropriation.
b/ Includes funds from the prior fiscal year which are in the hands of the States and available for the program -- $36,488,955 for fiscal year 1986 and $30,000,000 for 1987.
c/ Does not include deferral for $28,559,000.

Food Assistance Table
(Dollars in Thousands)
Current Law

BUDGET AUTHORITY	1986 Actual	1987 Estimate	1988 Estimate	Change 1987-1988
A. Child Nutrition Programs:				
1. Program grants to States:				
a. School lunch program	2,681,061	2,888,185	3,060,449	172,264
b. School breakfast program	404,874	453,729	479,819	26,090
c. Child care food program	475,818	537,174	602,096	64,922
d. Summer food service program	121,898	128,290	137,649	9,359
e. State administrative expenses	48,893	51,217	33,814 a/	-17,403
TOTAL, Program grants to States	3,732,544	4,058,595	4,313,827	255,232
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	133,139	127,295	154,314	27,019
b. AMS Section 32 commodities	344,350	350,900	350,900	0
c. CCC bonus commodities	0	0	0	0
d. AMS bonus commodities	0	0	0	0
TOTAL, Commodities to States	477,489	478,195	505,214	27,019
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	2,364	2,470	2,085	-385
b. Nutrition education and training, section 19	5,000	5,000	5,000	0
TOTAL, Nutrition studies and education	7,364	7,470	7,085	-385
TOTAL, Child Nutrition Programs	4,217,397	4,544,260	4,826,126	281,866
AMS Section 32 commodities	344,350	350,900	350,900	0
CCC bonus commodities	0	0	0	0
AMS bonus commodities	0	0	0	0
FNS Child nutrition account	3,873,047	4,193,360	4,475,226	281,866
B. Special Milk Program:				
1. Cash Payments to States	11,500	18,295 b/	33,974	15,679
C. Supplemental Nutrition Assistance Program (WIC):				
1. Cash Grants to States	1,578,104	1,661,497	1,685,441	23,944
2. Studies and Evaluations	2,390	2,000	2,100	100
TOTAL, Supplemental Nutrition Assistance Program (WIC)	1,580,494	1,663,497	1,687,541	24,044
D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food	25,119	24,094	24,163	69
2. Payments to distributing agencies for administration	6,707	6,756	6,372	-384
3. Elderly feeding projects: food	3,949	7,767	2,901	-4,866
admin.	1,002	2,880	1,154	-1,726
4. CCC donations	0	0	0	0
TOTAL, Commodity Supplemental Food Program (CSFP)	36,777	41,497	34,590	-6,907
E. Food Stamp Program:				
1. Benefit costs	10,718,579	10,675,641	11,038,560	362,919
2. State administrative costs	894,775	942,600	977,476	34,876
3. State anti-fraud activities	52,705	63,400	57,472	-5,928
4. Other program costs	96,257	111,647	122,042	10,395
5. Excess state error liabilities	0	0	-233,000	-233,000
6. Transfer to Office of Inspector General/OGC/Extension Service	55,337	38,627	0	-38,627
TOTAL, Food Stamp Program	11,817,653	11,831,915	11,962,550	130,635
F. Nutrition Assistance for Puerto Rico	820,050	852,750	825,000	-27,750

BUDGET AUTHORITY - CURRENT LAW	1986 Actual	1987 Estimate	1988 Estimate	Change 1987-1988
G. Cash and Commodities for Selected Groups:				
1. Needy Family Program:				
a. Commodities in lieu of food stamps	39,114	36,800	37,088	288
b. Contingency food purchases	0	3,876	0	-3,876
c. Distributing agency administrative costs	14,892	15,756	15,803	47
TOTAL, Needy Family Program	54,006	56,432	52,891	-3,541
2. Nutrition Program for the Elderly:				
a. Commodities	5,076	7,800	8,600	800
b. Cash-in-lieu of commodities	134,507	129,357	131,712	2,355
TOTAL, Nutrition Program for Elderly	139,583	137,157	140,312	3,155
TOTAL, Cash and Commodities for Selected Groups	193,589	193,589	193,203	-386
H. Bonus and TEFAP Commodities, and Grants to Other Outlets:				
1. Bonus commodities:				
Section 416 bonus				
(a) Needy Family Program	0	0	0	0
(b) Nutrition Program for the Elderly	0	0	0	0
(c) Charitable institutions	0	0	0	0
(d) Summer camps	0	0	0	0
Section 32 bonus				
(a) Needy Family Program	0	0	0	0
(b) Nutrition Program for the Elderly	0	0	0	0
(c) Charitable institutions	0	0	0	0
(d) Summer camps	0	0	0	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities	0	0	0	0
2. Grants:				
TEFAP Administrative Expense	50,000	21,441 c/	0	-21,441
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets	50,000	21,441	0	-21,441
I. Food Program Administration:				
1. Child nutrition	25,440	27,426	28,444	1,018
2. Special milk	145	149	154	5
3. Supplemental nutrition assistance	6,435	6,936	7,194	258
4. Food stamp	44,813	48,503	50,303	1,800
5. Food donations	1,648	1,780	1,847	67
TOTAL, Food Program Administration	78,481	84,794	87,942	3,148
GRAND TOTAL, Food Assistance	18,805,941	19,252,038	19,650,926	398,888
Section 32 commodities	344,350	350,900	350,900	0
CCC bonus commodities	0	0	0	0
TEFAP Commodities and Administrative Expense	50,000	21,441 c/	0	-21,441
AMS bonus commodities	0	0	0	0
FNS	18,411,591	18,879,697	19,300,026	420,329

a/ Assumes that $20,487,000 in Fiscal Year 1987 State Administrative Expenses unobligated by State agencies will be included in the Fiscal Year 1988 allocation.
b/ Includes supplemental request for $3,426,000.
c/ Does not include deferral of $28,559,000.

FOOD AND NUTRITION SERVICE

Food Assistance Table
(Dollars in Thousands)
Current Law

OUTLAYS	1986 Actual	1987 Estimate	1988 Estimate	Change 1987-1988
A. Child Nutrition Programs:				
1. Cash payments to States:				
a. School lunch program	2,666,937	2,896,084	3,039,959	143,875
b. School breakfast program	402,971	454,970	476,606	21,636
c. Child care food program	472,575	538,643	598,065	59,422
d. Summer food service program	120,891	128,641	136,727	8,086
e. State administrative expenses	19,828	45,813	34,283	-11,530
TOTAL, Cash payments to States	3,683,202	4,064,151	4,285,640	221,489
2. Commodities to States (including cash in lieu of commodities):				
a. FNS commodities	133,129	127,295	154,314	27,019
b. AMS Section 32 commodities	344,350	350,900	350,900	0
c. CCC bonus commodities	0	0	0	0
d. AMS bonus commodities	0	0	0	0
TOTAL, Commodities to States	477,479	478,195	505,214	27,019
3. Nutrition studies and education:				
a. Nutrition studies and surveys, section 6(a)(3)	696	2,470	2,085	-385
b. Nutrition education and training, section 19	2,707	5,000	5,000	0
TOTAL, Nutrition studies and education	3,403	7,470	7,085	-385
TOTAL, Child Nutrition Programs	4,164,084	4,549,816	4,797,939	248,123
AMS Section 32 commodities	344,350	350,900	350,900	0
CCC bonus commodities	0	0	0	0
AMS bonus commodities	0	0	0	0
FNS Child nutrition account	3,819,734	4,198,916	4,447,039	248,123
B. Special Milk Program:				
1. Cash Payments to States	15,267	21,279 a/	31,807	10,528
C. Supplemental Nutrition Assistance Program (WIC):				
1. Cash Grants to States	1,577,493	1,699,915	1,683,882	-16,033
2. Studies and Evaluations	30	2,000	2,100	100
TOTAL, Supplemental Nutrition Assistance Program (WIC)	1,577,523	1,701,915	1,685,982	-15,933
D. Commodity Supplemental Food Program (CSFP):				
1. Commodities for supplemental food	24,619	24,125	24,387	262
2. Payments to distributing agencies for administration	6,551	6,768	6,419	-349
3. Elderly feeding projects: food	3,851	7,765	2,931	-4,834
admin.	972	2,866	1,151	-1,715
4. CCC donations	0	0	0	0
TOTAL, Commodity Supplemental Food Program (CSFP)	35,993	41,524	34,888	-6,636
E. Food Stamp Program:				
1. Benefit costs	10,590,518	10,687,109	11,038,524	351,415
2. State administrative costs	909,777	986,169	973,082	-13,087
3. State anti-fraud activities	41,537	81,722	57,176	-24,546
4. Other program costs	77,607	127,735	120,650	-7,085
5. Excess state error liabilities	0	0	-233,000	-233,000
6. Transfer to Office of Inspector General/OGC/Extension Service	0	0	0	0
TOTAL, Food Stamp Program	11,619,439	11,882,735	11,956,432	73,697
F. Nutrition Assistance for Puerto Rico	823,696	848,553	825,736	-22,817

OUTLAYS CURRENT LAW	1986 Actual	1987 Estimate	1988 Estimate	Change 1987-1988
G. Cash and Commodities for Selected Groups:				
1. Needy Family Program:				
a. Commodities in lieu of food stamps	43,097	33,968	37,848	3,880
b. Contingency food purchases	0	3,686	0	-3,686
c. Distributing agency administrative costs	14,160	14,982	15,027	45
TOTAL, Needy Family Program	57,257	52,636	52,875	239
2. Nutrition Program for the Elderly:				
a. Commodities	4,210	7,069	7,794	725
b. Cash-in-lieu of commodities	121,904	151,733	131,149	-20,584
TOTAL, Nutrition Program for Elderly	126,114	158,802	138,943	-19,859
TOTAL, Cash and Commodities for Selected Groups	183,371	211,438	191,818	-19,620
H. Bonus and TEFAP Commodities, and Grants to Other Outlets:				
1. Bonus commodities:				
Section 416 bonus				
(a) Needy Family Program	0	0	0	0
(b) Nutrition Program for the Elderly	0	0	0	0
(c) Charitable institutions	0	0	0	0
(d) Summer camps	0	0	0	0
Section 32 bonus				
(a) Needy Family Program	0	0	0	0
(b) Nutrition Program for the Elderly	0	0	0	0
(c) Charitable institutions	0	0	0	0
(d) Summer camps	0	0	0	0
Temporary Emergency Food Assistance Program (TEFAP) CCC Commodities	0	0	0	0
2. Grants:				
TEFAP Administrative Expense	49,725	25,084 b/	14,120	-10,964
TOTAL, Bonus and TEFAP Commodities, and Grants to Other Outlets	49,725	25,084	14,120	-10,964
I. Food Program Administration:				
1. Child nutrition	25,242	27,277	28,368	1,091
2. Special milk	145	149	154	5
3. Supplemental nutrition assistance	6,385	6,898	7,174	276
4. Food stamp	44,465	48,240	50,167	1,927
5. Food donations	1,635	1,771	1,842	71
TOTAL, Food Program Administration	77,872	84,335	87,705	3,370
GRAND TOTAL, Food Assistance	18,546,970	19,366,679	19,626,427	259,748
Section 32 commodities	344,350	350,900	350,900	0
CCC bonus commodities	0	0	0	0
TEFAP Commodities and Administrative Expense	49,725	25,084	14,120	-10,964
AMS bonus commodities	0	0	0	0
FNS	18,152,895	18,990,695	19,261,407	270,712

a/ Includes outlays of funds from supplemental appropriation.
b/ Includes deferral of $28,559,000.

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Child Nutrition Programs:

For necessary expenses to carry out the National School Lunch Act (42 U.S.C. [1751-1761, 1766 and 1769b)] 1751-1769b, except 1766(i)), and the applicable provisions other than sections 3 [and 17], 17, 18, and 19 of the Child Nutrition Act of 1966 (42 U.S.C.1773-1785, and 1788-1789); [$4,233,617,000,] $4,475,226,000, to remain available through September 30, [1988] 1989, of which [$937,680,000] $1,106,614,000 is hereby appropriated and [$3,295,937,000] $3,368,612,000 shall be derived by transfer from funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c): Provided, That, [of funds provided herein, $775,281,000 shall be available only to the extent an official budget request is transmitted to the Congress: Provided further, That] funds appropriated for the purpose of section 7 of the Child Nutrition Act of 1966 shall be allocated among the States but the distribution of such funds to an individual State is contingent upon the State's agreement to participate in studies and surveys of programs authorized under the National School Lunch Act and the Child Nutrition Act of 1966, when such studies and surveys have been directed by the Congress and requested by the Secretary of Agriculture: Provided further, That if the Secretary of Agriculture determines that a State's administration of any program under the National School Lunch Act or the Child Nutrition Act of 1966 (other than section 17), or the regulations issued pursuant to these Acts, is seriously deficient, and the State fails to correct the deficiency within a specified period of time, the Secretary may withhold from the State some or all of the funds allocated to the State under section 7 of the Child Nutrition Act of 1966 and under section 13(k)(1) of the National School Lunch Act; upon a subsequent determination by the Secretary that the programs are operated in an acceptable manner some or all of the funds withheld may be allocated: [Provided further, That if the funds available for nutrition education and training grants authorized under section 19 of the Child Nutrition Act of 1966, as amended, require a ratable reduction in those grants, the minimum grant for each State shall be $50,000:] Provided further, That only final reimbursement claims for service of meals, supplements, and milk submitted to State agencies by eligible schools, summer camps, institutions, and service institutions within sixty days following the month for which the reimbursement is claimed shall be eligible for reimbursement from funds appropriated under this Act. States may receive program funds appropriated under this Act for meals, supplements, and milk served during any month only if the final program operations report for such month is submitted to the Department within ninety days following that month. Exceptions to these claims or reports submission requirements may be made at the discretion of the Secretary: Provided further, That funds available under this heading for State administrative expenses, together with funds previously obligated for such purpose which remain unobligated by the States at the beginning of fiscal year 1988, shall be deemed to meet the funding level pursuant to section 7 of the Child Nutrition Act of 1966.

The first change simplifies references to current statutory authority.

The second change deletes matter applicable to 1987 and makes the 1988 appropriation available until September 30, 1989.

The third change deletes matter applicable to Fiscal Year 1987.

The fourth change deletes a requirement applicable only to the Nutrition Education Program and is now included in the Child Nutrition Amendments of 1986.

The fifth change authorizes the inclusion of unobligated prior year balances occurring at the State level in the calculation of funds available for authorized State administrative expenses in Fiscal Year 1988.

CHILD NUTRITION PROGRAMS - CURRENT LAW

Appropriation Act, 1987	$4,193,360,000
Budget Estimate, Current Law, 1988	4,475,226,000
Increase in Appropriation	+281,866,000

CHILD NUTRITION PROGRAMS - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	$4,475,226,000
Change due to Proposed Legislation	-826,014,000
Net request, President's 1988 Budget Request	3,649,212,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
School lunch program	$2,888,185,000	+$172,264,000	$3,060,449,000
School breakfast program	453,729,000	+26,090,000	479,819,000
State administrative expenses	51,217,000	-17,403,000	33,814,000 a/
Summer food service program	128,290,000	+9,359,000	137,649,000
Child care food program	537,174,000	+64,922,000	602,096,000
Commodity procurement	127,295,000	+27,019,000	154,314,000
Nutrition studies and surveys	2,470,000	-385,000	2,085,000
Nutrition education and training	5,000,000	--	5,000,000
Total Required	4,193,360,000	+281,866,000	4,475,226,000
Proposed legislation	-73,015,000		-826,014,000
Total Available, President's Budget b/	4,120,345,000		3,649,212,000

a/ Assumes that $20,487,000 of Fiscal Year 1987 funds unobligated by State Agencies will be available for a total of $54,301,000.

b/ The level of available funding in Fiscal Year 1987 assumes the implementation of proposed legislation with resulting reduction of $73,015,000.

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
1. Cash payments to States:				
(a) School lunch program:				
(1) Upper income lunches	$254,557,194	$275,477,000	+$15,334,000	$290,811,000
(2) Lower income lunches	236,145,991	255,575,000	+19,640,000	275,215,000
(3) Low income lunches	2,177,610,160	2,357,133,000	+137,290,000	2,494,423,000
Total, School lunch	2,668,313,345	2,888,185,000	+172,264,000(1)	3,060,449,000
(b) School breakfast program:				
(1) Upper income	6,746,921	9,348,000	+498,000	9,846,000
(2) Lower income	12,268,247	14,215,000	+1,156,000	15,371,000
(3) Low income	390,882,832	430,166,000	+24,436,000	454,602,000
Total, School breakfast	409,898,000	453,729,000	+26,090,000(2)	479,819,000

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
(c) State administrative expenses	48,892,655	51,217,000	-17,403,000(3)	a/ 33,814,000
(d) Summer food service program	121,898,000	128,290,000	+9,359,000(4)	137,649,000
(e) Child care food program:				
(1) Child care centers:				
(a) Paid meals	9,078,392	10,383,000	+737,000	11,120,000
(b) Reduced price meals	20,576,091	22,321,000	+2,179,000	24,500,000
(c) Free meals	209,880,917	223,086,000	+17,424,000	240,510,000
Subtotal	239,535,400	255,790,000	+20,340,000	276,130,000
(2) Family day care homes	236,772,812	273,457,000	+43,824,000	317,281,000
(3) Audit expenses	7,233,788	7,927,000	+758,000	8,685,000
Total, Child care food program	483,542,000	537,174,000	+64,922,000(5)	602,096,000
2. Commodity procurement:				
(a) Commodities	101,451,918	96,998,800	+20,588,500	117,587,300
(b) Cash in lieu of commodities	31,687,082	30,296,200	+6,430,500	36,726,700
Total, Commodity procurement	133,139,000	127,295,000	+27,019,000(6)	154,314,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys	2,364,000	2,470,000	-385,000(7)	2,085,000
(b) Nutrition education and training	5,000,000	5,000,000	--	5,000,000
Total, Appropriation	3,873,047,000	4,193,360,000	+281,866,000	4,475,226,000
Proposed legislation		-73,015,000		-826,014,000
President's Budget b/		4,120,345,000		3,649,212,000

a/ Assumes that $20,487,000 of Fiscal Year 1987 funds unobligated by State Agencies will be available for a total of $54,301,000.

b/ The level of available funding in Fiscal Year 1987 assumes the implementation of proposed legislation with resulting reduction of $73,015,000.

PROJECT STATEMENT - CURRENT LAW
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
1. Cash payments to States:				
(a) School lunch program:				
(1) Upper income lunches	$255,770,855	$275,477,000	+$15,334,000	$290,811,000
(2) Lower income lunches	237,271,705	255,575,000	+19,640,000	275,215,000
(3) Low income lunches	2,187,993,656	2,357,133,000	+137,290,000	2,494,423,000
Total, School lunch	2,681,036,216	2,888,185,000	+172,264,000(1)	3,060,449,000
(b) School breakfast program:				
(1) Upper income	6,665,008	9,348,000	+498,000	9,846,000
(2) Lower income	12,117,887	14,215,000	+1,156,000	15,371,000
(3) Low income	386,090,681	430,166,000	+24,436,000	454,602,000
Total, School breakfast	404,873,576	453,729,000	+26,090,000(2)	479,819,000

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
(c) State administrative expenses	40,645,927	51,217,000	-17,403,000(3)	a/ 33,814,000
(d) Summer food service program b/	121,807,253	128,290,000	+9,359,000(4)	137,649,000
(e) Child care food program:				
(1) Child care centers:				
(a) Paid meals	8,933,380	10,383,000	+737,000	11,120,000
(b) Reduced price meals	20,247,424	22,321,000	+2,179,000	24,500,000
(c) Free meals	206,528,440	223,086,000	+17,424,000	240,510,000
Subtotal	235,709,244	255,790,000	+20,340,000	276,130,000
(2) Family day care homes	232,990,783	273,457,000	+43,824,000	317,281,000
(3) Audit expenses	7,118,240	7,927,000	+758,000	8,685,000
Total, Child care food program	475,818,267	537,174,000	+64,922,000(5)	602,096,000
2. Commodity procurement:				
(1) Commodities	101,474,911	96,998,800	+20,588,500	117,587,300
(2) Cash in lieu of commodities	31,654,599	30,296,200	+6,430,500	36,726,700
Total, Commodity procurement	133,129,510	127,295,000	+27,019,000(6)	154,314,000
3. Nutrition studies and education:				
(a) Nutrition studies and surveys	2,346,662	2,470,000	-385,000(7)	2,085,000
(b) Nutrition education and training	4,999,999	5,000,000	--	5,000,000
Total, obligations	3,864,657,410	4,193,360,000	+281,866,000	4,475,226,000
Unobligated balances:				
Available, start of year	--	-8,389,590	--	--
Available, end of year	8,389,590	--	--	--
Lapsing	--	+8,389,590	--	--
Total, Appropriation	3,873,047,000	4,193,360,000	+281,866,000	4,475,226,000
Proposed Legislation		-73,015,000		-826,014,000
President's Budget c/		4,120,345,000		3,649,212,000

a/ Assumes that $20,487,000 of Fiscal Year 1987 funds unobligated by State Agencies will be available for a total of $54,301,000.

b/ Includes 15 staff-years in Fiscal Years 1986 and 1987 for Summer Food Service Program monitors.

c/ The level of available funding in Fiscal Year 1987 assumes the implementation of proposed legislation with resulting reduction of $73,015,000.

EXPLANATION OF PROGRAM

The Child Nutrition Programs, authorized by the National School Lunch Act and the Child Nutrition Act of 1966, subsidize meals served to children. The programs reach children not only through schools but also through a variety of other institutions. A general description of the programs follows.

1. Cash Payments to States. The programs are operated under an agreement entered into by the State agencies and the Department. Funds are made available under letters of credit to State agencies for use in reimbursing participating schools and other institutions. Sponsors make application to the State agencies, and if approved, are reimbursed on a per-meal basis in accordance with the terms of their agreements and the rates prescribed by law. The reimbursement rates are adjusted annually to reflect changes in the Consumer Price Index for Food Away From Home.

(a) National School Lunch Program. Assistance is provided to the States for the service of lunches to all school children, regardless of family income. States must match a portion of the Federal cash grant. The Child Nutrition Amendments of 1986 raised the tuition limit for program participation in private schools from $1,500 to $2,000. It also provided for an annual inflation adjustment of this amount. In Fiscal Year 1987 under current law, the School Lunch Program will provide assistance for serving an estimated 4,026 million school lunches including 2,050 million for children from upper income families and 1,976 million for children from lower and low income families. Schools which, in the second previous fiscal year, served at least 60 percent of their lunches at free or reduced prices receive an additional $.02 per meal assistance. An estimated 24.4 million children are expected to participate in the School Lunch Program daily during the school year. Additional assistance is provided to the States for serving lunches free or at a reduced price to needy children. In Fiscal Year 1987 under current law, the program will provide assistance for about 1,976 million lunches, of which 1,713 million will be served free of charge and 263 million at reduced price. Approximately 12.0 million needy children will participate on an average school day during the year.

(b) School Breakfast Program. Federal reimbursement is based on the number of breakfasts served free, at a reduced price, or at the general subsidy for those served to non-needy children. Certain schools, that served at least 40 percent of their lunches at free or reduced prices in the second preceding year, receive higher subsidies in both the free and reduced price categories. In Fiscal Year 1987 under current law, the program will serve an estimated 620 million breakfasts to a daily average of 3.7 million children.

(c) State Administrative Expenses. These funds may be used for State employee salaries, benefits, support services and office equipment. Public Law 95-627 made the State Administrative Expenses grant equal to 1.5 percent of Federal payments in the second previous year. In Fiscal Year 1987, $51,217,000 will be allocated among the States to fund on-going State administrative expenses and to improve the management of the various nutrition programs. The Child Nutrition Amendments of 1986 authorize the use of up to three pilot projects to evaluate the benefits of contracting out for the administration of the Child Nutrition Programs in States where the Food and Nutrition Service currently administers these programs.

(d) Summer Food Service Program. Meals served free to children in low-income neighborhoods during the summer months are supported on a performance basis by Federal cash subsidies to State agencies. Funds are also provided for related State and local administrative expenses. During the summer of 1987, approximately 81 million meals will be served to about 1.6 million children in the peak month.

(e) Child Care Food Program. Preschool and other children receive year-round food assistance in nonprofit child care centers and family and group day care homes. P.L. 97-35 permits profit-making child care centers receiving compensation under Title XX of the Social Security Act to participate in the program if 25 percent of the children served are Title XX participants. The Child Care Food Program reimburses State agencies at varying rates for breakfasts, lunches, suppers and meal supplements and for program-related State audit expenses. In Fiscal Year 1987, approximately 726 million meals will be served to a daily average of 1.2 million children.

2. Commodity Procurement. Commodities are purchased for distribution to the School Lunch, Child Care Food and Summer Food Service Programs. The minimum commodity support rate for all school lunch and child care center lunches and suppers served is mandated by law and adjusted annually on July 1 to reflect changes in the Producer Price Index for Food Used in Schools and Institutions. The commodities purchased with these funds are supplemented by commodities purchased with Section 32 funds.

3. Nutrition Studies and Education

(a) Nutrition Studies and Surveys. In Fiscal Year 1987, the funds appropriated for this purpose will be used for several studies. Included among these are a survey to collect accurate and timely data on how Child Nutrition Programs operate at State and local levels; a study of income verification procedures in the School Lunch Program; the Child Nutrition Analysis and Modeling Study; and the Child Care Food Program Evaluation.

(b) Nutrition Education and Training. Public Law 95-166 instituted a program of grants to the States for nutrition education in schools. In Fiscal Year 1987, $5 million will be made available to the States for nutrition education and training.

The following audit reports were received in Fiscal Year 1986:

OIG Reports	Date	Title
27639-5-CH	6-20-86	Closeout audit of Quality Child Care, Inc.

GAO Reports	Date	Title
GAO/RCED-86-122BR	3-17-86	School Meal Program Options for Improving the Verification of Student Eligibility.

JUSTIFICATION OF INCREASES AND DECREASES

The Fiscal Year 1988 request under Current Law for the Child Nutrition Programs reflects a $281.9 million increase.

(1) Under current law, an increase of $172,264,000 in the appropriation for the School Lunch Program ($2,888,185,000 would be required in Fiscal Year 1987).

Need for Change. The total number of school lunches is expected to increase by 62 million in Fiscal Year 1988 due to increased school enrollment. The projected rise in reimbursement rates on July 1 reflecting increases in the CPI for Food Away from Home will contribute to the need for increased funding.

Nature of Change. An appropriation of $3,060,449,000 will be needed in Fiscal Year 1988 for the School Lunch Program to provide full reimbursement for meals served. The following table compares meals served and rates:

Meals in millions	FY 1987 Estimate	FY 1988 Estimate	Change
Upper income	2,050	2,082	+32
Lower income	263	267	+4
Low income	1,713	1,739	+26
Total meals	4,026	4,088	+62
Average participation (millions)	24.4	24.7	+.3
Average rates (cents)			
Upper income	13.09	13.62	+.53
Lower income	83.21	88.56	+5.35
Low income	123.37	128.72	+5.35
Program Cost ($mil)	$2,888.2 a/	$3,060.4 a/	+$172.2

a/ Includes funds for schools which receive additional two cents reimbursement.

(2) Under current law, an increase of $26,090,000 in the appropriation for the School Breakfast Program ($453,729,000 would be required in Fiscal Year 1987).

Need for Change. An increase of nine million breakfasts is projected for Fiscal Year 1988. In addition, all rates are expected to rise on July 1 based on the CPI for Food Away from Home series which will require increased funding for school breakfasts.

Nature of Change. An appropriation of $479,819,000 will be needed in Fiscal Year 1988 for the School Breakfast Program.

The table which follows compares meals and rates in the School Breakfast Program by category.

Meals in Millions	FY 1987 Estimate	FY 1988 Estimate	Change
Upper Income	70	71	+1
Lower Income	28	28	--
Low Income	522	530	+8
Total	620	629	+9
Average rates (cents)			
Upper Income	13.34	13.84	+.50
Lower Income	51.39	54.73	+3.34
Low Income	81.15	84.77	+3.62
Participation (Avg)(mil) .	3.7	3.8	+.1
Program Cost ($ mil)	$453.7	$479.8	+$26.1

(3) Under current law, a decrease of $17,403,000 in the appropriation for State Administrative Expenses ($51,217,000 is available in Fiscal Year 1987).

Need for Change. The grant level for State Administrative Expenses (SAE) is based upon 1.5 percent of funds expended in the second previous fiscal year for the School Lunch, Special Assistance, School Breakfast, Child Care Food and Special Milk Programs.

The decrease in Fiscal Year 1988 is attributable to the proposal to consider SAE funds which remain unobligated by States on September 30, 1987, as being available in Fiscal Year 1988 for SAE.

Nature of Change. An appropriation of $33,814,000 will be needed in Fiscal Year 1988 for State Administrative Expenses. A carryover of $20,487,000 will be available for a total program level of $54,301,000. Each State will receive a grant of at least one percent of the funds available with a minimum grant of $100,000. The funds above the basic grant will be allocated to the States to improve program administration.

(4) Under current law, an increase of $9,359,000 in the appropriation for the Summer Food Service Program ($128,290,000 is available in Fiscal Year 1987).

Need for Change. The number of meals served in the Summer Food Service Program is expected to increase by two million in Fiscal Year 1988 over Fiscal Year 1987, for a projected total of 83 million meals. Per meal reimbursement rates which are adjusted each January 1 will escalate in accordance with changes in the CPI for Food Away from Home.

Nature of Change. An appropriation of $137,649,000 will be needed in the Summer Food Service Program in Fiscal Year 1988 to provide full reimbursement for meals served.

(5) Under current law, an increase of $64,922,000 in the appropriation for the Child Care Food Program ($537,174,000 is available in Fiscal Year 1987).

Need for Change. An increase in Child Care Food Program participation and the corresponding number of meals served is anticipated in Fiscal Year 1988 in both child care centers and family day care homes. Reimbursement rates are expected to increase based upon changes in the CPI for Food Away from Home.

Audit expense funds, which are allocated to the States based on program cost levels in the second preceding fiscal year, will also increase in Fiscal Year 1988.

Nature of Change. An appropriation of $602,096,000 will be needed in Fiscal Year 1988 in the Child Care Food Program to fully fund projected meals served.

The following table compares the Fiscal Year 1987 meals and rates with the projected Fiscal Year 1988 Program.

Meals in Millions	FY 1987 Estimate	FY 1988 Estimate	Change
Meals served:			
Child care centers:			
Paid	115	119	+4
Reduced price	42	43	+1
Free	259	268	+9
Total child care centers	416	430	+14
Family day care homes	310	344	+34
Total	726	774	+48
Average subsidy per meal (cents):			
Child care centers:			
Paid	11.6	12.1	+.5
Reduced price	65.3	69.6	+4.3
Free	98.0	102.2	+4.2
Family day care homes	92.0	96.0	+4.0
Program cost ($ mil)	$537.2	$602.1	+$64.9

(6) Under current law, an increase of $27,019,000 in the appropriation for Commodity Procurement ($127,295,000 would be required in Fiscal Year 1987).

Need for Change. An increase of 62 million school lunches and 14 million meals served in child care centers is projected for Fiscal Year 1988. The rate of commodity support per meal will also increase from 11.31 cents in Fiscal Year 1987 to 11.78 cents in Fiscal Year 1988.

Nature of Change. In addition to the direct appropriation for commodity procurement for the Child Nutrition Programs, the Agricultural Marketing Service uses section 32 funds for Strengthening Markets, Income and Supply to purchase commodities for the Child Nutrition Programs. The total projected usage of the funds from the two accounts in Fiscal Years 1987 and 1988 is as follows:

(Dollars in Millions)

Account	FY 1987 Estimate	FY 1988 Estimate	Change
Child Nutrition Programs ..	$127.3	$154.3	+$27.0
Section 32 Funds for Strengthening Markets, Income and Supply	350.9	350.9	--
Total	$478.2	$505.2	+$27.0

(7) Under current law, a decrease of $385,000 in the appropriation for Nutrition Studies and Surveys ($2,470,000 is available in Fiscal Year 1987).

Need for Change. A decrease of $385,000 is proposed for nutrition studies and surveys pending a full review of the Agency's research plans.

Nature of Change. An appropriation of $2,085,000 will be needed to fund this program in Fiscal Year 1988. These funds would be used to continue studies of income verification in the School Lunch Program, the Child Nutrition Analysis and Modeling Study, and to collect data at the State and local levels on the operation of the Child Nutrition Programs. The decrease in funds is consistent with the Agency's plan to limit the number of new studies and surveys and to review and update current research plans.

Child Nutrition Programs
Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1988 Current Law	1988 Program Changes	1988 President's Request
School lunch program	$3,060,449,000	-$536,393,000	$2,524,056,000
School breakfast program	479,819,000	-25,344,000	454,475,000
State administrative expenses	33,814,000 a/	-18,100,000	15,714,000 a/
Summer food service program	137,649,000	-22,227,000	115,422,000
Child care food program.....	602,096,000	-228,535,000	373,561,000
Commodity procurement	154,314,000	+9,585,000	163,899,000
Nutrition studies and surveys	2,085,000	--	2,085,000
Nutrition education and training ..	5,000,000	-5,000,000	--
Total Available	$4,475,226,000	-$826,014,000	$3,649,212,000

a/ Assumes that $20,487,000 in Fiscal Year 1987 funds unobligated by State Agencies will be available in Fiscal Year 1988.

Explanation of Proposed Legislation

This budget proposes to make several changes in the Child Nutrition Programs that would result in savings of $826,014,000 in Fiscal Year 1988. The proposed changes would:

-- Eliminate cash and commodity subsidies to upper income participants effective July 1, 1987, in the School Lunch and School Breakfast Programs, and in the Child Care Food Program effective October 1, 1987. In addition, a means test for family day care home participants would reestablish eligibility requirements under which only needy children would qualify to receive subsidized meals.

-- Change the mix of cash and commodity support for free and reduced price school lunches and lunches and suppers in child care centers. Per meal commodity support would rise to 24.00 cents in Fiscal Year 1988 and be frozen thereafter; future increases to free and reduced price subsidies would be funded out of the cash account.

-- Eliminate special State audit funds in the Child Care Food Program.

-- Cap spending for special higher subsidies (NSLP two-cent differential payments and severe need School Breakfast payments) at the Fiscal Year 1987 level and limit NSLP payments to free and reduced price meals.

-- Reduce the State Administrative Expenses funding formula from 1.5 percent to 1 percent.

-- Adjust meal payment rates in the Summer Food Service Program to make them comparable to the free rates in the National School Lunch, School Breakfast and Child Care Food Programs.

-- Eliminate subsidies for sponsor administrative costs in the Summer Food Service Program.

-- Eliminate Federal funding for the Nutrition Education and Training Program.

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Special Milk Program:

For necessary expenses, to carry out the special milk program, as authorized by section 3 of the Child Nutrition Act of 1966 (42 U.S.C. 1772), [$14,869,000] $33,974,000, to remain available through September 30, [1988: Provided, That only] 1989. Only final reimbursement claims for milk submitted to State agencies within sixty days following the month for which the reimbursement is claimed shall be eligible for reimbursement from funds appropriated under this Act. States may receive program funds appropriated under this Act only if the final program operations report for such month is submitted to the Department within ninety days following that month. Exceptions to these claims or reports submission requirements may be made at the discretion of the Secretary.

The change deletes matters applicable to 1987 and makes the 1988 appropriation available until September 30, 1989.

SPECIAL MILK PROGRAM - CURRENT LAW

Appropriation Act, 1987		$14,869,000
Budget Estimate, Current Law, 1988		33,974,000
Increase in Appropriation		+19,105,000
Adjustments in 1987:		
Appropriation Act, 1987	$14,869,000	
1987 Supplemental	+3,426,000	
Adjusted Base for 1987		$18,295,000
Budget Estimate, Current Law, 1988		33,974,000
Increase over adjusted 1987		+15,679,000

SPECIAL MILK PROGRAM - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	$33,974,000
Change due to Proposed Legislation	-33,974,000
Net request, President's 1988 Budget Request	0

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Cash payments to States	$18,295,000	+$15,679,000	$33,974,000

PROJECT STATEMENT - CURRENT LAW
(On basis of adjusted appropriation)

Project	1986 Actual	1987 Estimated	Increase	1988 Estimated
1. Cash payments to States:				
(a) Paid milk	$11,005,500	$17,140,585	+$14,665,367	$31,805,952
(b) Free milk	494,500	1,154,415	+1,013,633	2,168,048
Total, Appropriation	11,500,000	18,295,000	+15,679,000(1)	33,974,000
Proposed legislation				-33,974,000
President's Budget				0

PROJECT STATEMENT - CURRENT LAW
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
1. Cash payments to States:				
(a) Paid milk	$15,423,187	$18,553,179	+$13,252,773	$31,805,952
(b) Free milk	1,038,195	1,255,444	+912,604	2,168,048
Total, obligations	16,461,382	19,808,623	+14,165,377(1)	33,974,000
Unobligated balances:				
Available, start of year	-6,475,016	-1,513,623	+1,513,623	0
Available, end of year	1,513,623	0	0	0
Lapsing	11	0	0	0
Total, Appropriation	11,500,000	18,295,000	+15,679,000	33,974,000
Proposed legislation, budget authority				-33,974,000
President's Budget				0

EXPLANATION OF PROGRAM

The Special Milk Program is authorized by Section 3 of the Child Nutrition Act of 1966, as amended. It subsidizes institutions for milk consumed by students in non-profit schools of high school grade or under, summer camps, and similar institutions that do not participate in another meal service program authorized by the Child Nutrition Act or the National School Lunch Act. Effective October 1, 1986, based on authority in P.L. 99-661, children in split session kindergarten programs in non-profit schools who do not have access to the meal service programs operating in those schools may participate in the Special Milk Program.

In Fiscal Year 1987, approximately 208.3 million halfpints will be served in the Special Milk Program. These include about 199.3 million halfpints served to children whose family income is above 130 percent of poverty and about 9 million halfpints served free to children whose family income is at or below 130 percent of poverty. During Fiscal Year 1987, the average full cost reimbursement for milk served to needy children is expected to be 13.98 cents for each halfpint. Milk served to non-needy children is expected to be reimbursed at 9.25 cents for each halfpint.

JUSTIFICATION OF INCREASES AND DECREASES - CURRENT LAW

(1) Under current law, an increase of $15,679,000 in the appropriation for the Special Milk Program. On the basis of available funds, there is an increase of $14,165,377.

Need for Change. As a result of the change in legislation authorizing the Special Milk Program to include some split session kindergartens, there will be an additional 142 million halfpints served in Fiscal Year 1988. Therefore, $33,974,000 will be needed to fully fund the projected 350 million halfpints of milk to be served in Fiscal Year 1988.

Nature of Change. The total number of halfpints of milk to be served in Fiscal Year 1988 is expected to increase to 350 million. The increase in obligations of $14,165,377 from Fiscal Year 1987 to Fiscal Year 1988 is due primarily to the increase in estimated halfpints to be served.

SPECIAL MILK PROGRAM

SUMMARY OF PROPOSED LEGISLATION

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1987 Current Law	1987 President's Request	1988 Current Law	1988 President's Request
Special Milk Program:				
Budget Authority	$18,295,000	$18,295,000	$33,974,000	---
Unobligated balances:				
Available, start of year	1,513,623	1,513,623	---	$4,910,623
Available, end of year	---	-4,910,623	---	---
Lapsing	---	---	---	-2,742,623
Total Obligations	19,808,623	14,898,000	33,974,000	2,168,000

Explanation of Proposed Legislation

Proposed legislation to take effect on July 1, 1987, for the Special Milk Program, eliminates subsidies to children from families above 130 percent of poverty. Free milk would continue to be made available to children from families at or below 130 percent of poverty. Unobligated funds from Fiscal Year 1987 of $4,911,000 will be used to fund the program in Fiscal Year 1988.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Feeding Program for Women, Infants, and Children (WIC)] Supplemental Nutrition Assistance for Women, Infants, And Children (WIC):

For necessary expenses to carry out the special supplemental food program as authorized by section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786), [$1,663,497,000] $1,687,541,000, to remain available through September 30, [1988:] 1989. [Provided, That none of the funds provided herein shall be used to issue interim or final regulations before May 1, 1987, to modify the formula used during fiscal year 1986 to divide funds among State agencies under section 17(i) of such Act to carry out such program, or to implement such regulations before October 1, 1987.]

The first change deletes matter applicable to 1987 and makes the 1988 appropriation available until September 30, 1989.

The second change deletes language referring to the issuance of interim or final regulations to modify the WIC formula, since that language applied only to Fiscal Year 1987.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (WIC)

Appropriation Act, 1987	$1,663,497,000
Budget Estimate, 1988	1,687,541,000
Increase in Appropriation	+24,044,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Supplemental Nutrition Assistance Program (WIC)	$1,663,497,000	+$24,044,000	$1,687,541,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Increase	1988 Estimated
1. Supplemental Nutrition Assistance Program (WIC):				
(a) Grants to States for supplemental food	$1,262,483,200	$1,329,197,600	+$19,155,200	$1,348,352,800
(b) Costs for nutrition services and administration	315,620,800	332,299,400	+4,788,800	337,088,200
(c) Program evaluation projects	2,390,000	2,000,000	+100,000	2,100,000
Total, Appropriation	1,580,494,000	1,663,497,000	+24,044,000(1)	1,687,541,000

PROJECT STATEMENT
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
1. Supplemental Nutrition Assistance Program (WIC):				
(a) Grants to States for supplemental food	$1,262,375,992	$1,329,240,602	+$19,112,198	$1,348,352,800
(b) Costs for nutrition services and administration	315,593,998	332,310,151	+4,778,049	337,088,200
(c) Program evaluation projects	2,336,257	2,000,000	+100,000	2,100,000
Total, obligations	1,580,306,247	1,663,550,753	+23,990,247(1)	1,687,541,000
Unobligated balances:				
Available, start of year	-372,327	-53,753	+53,753	--
Available, end of year	53,753	--	--	--
	a/			
Lapsing	506,327	--	--	--
Total, Appropriation	1,580,494,000	1,663,497,000	+24,044,000	1,687,541,000

a/ Reflects savings mandated by Section 515 of the Treasury, Postal Service, and General Government Appropriations Act for 1986.

EXPLANATION OF PROGRAM

Supplemental Nutrition Assistance for Women, Infants, and Children (WIC) is authorized by section 17 of the Child Nutrition Act of 1966, as amended. Public Law 96-499, enacted on December 5, 1980, extended the program authorization through September 30, 1984. The authorization was extended for Fiscal Years 1985 and 1986 by the Continuing Resolutions for those years, Public Laws 98-473 and 99-190; and extended through 1989 by Public Law 99-500, Public Law 99-591, and Public Law 99-661, the National Defense Authorization Act. Funds are made available to local health clinics through State departments of health and to Indian groups to provide supplemental foods to low-income pregnant, postpartum and breastfeeding women, infants, and young children up to five years of age who are determined by competent professionals (physicians, nutritionists, nurses and other health officials) to be at nutritional risk. Modifications to the WIC funding formula to be proposed during Fiscal Year 1987 would give States incentives to better target program funds to high priority participants who can benefit most from participation. In Fiscal Year 1987, the program funds are expected to support an average monthly participation of 3.4 million participants at an average cost of $41.08 per person per month.

The WIC Program food packages are designed to provide foods which studies have demonstrated are lacking in the diets of the WIC Program target population. The authorized supplemental foods are iron-fortified infant formula, infant cereal, milk, cheese, eggs, iron-fortified breakfast cereal, fruit or vegetable juice which contains vitamin C, dry beans and peas, and peanut butter.

There are three general types of delivery systems for WIC foods: (1) retail purchase in which participants obtain supplemental foods through retail stores; (2) home delivery systems in which food is delivered to the participant's home; and (3) direct distribution systems in which participants pick up food from a distribution outlet. WIC State agencies have submitted plans to provide "preferred" brands of infant formula, based on competitive bidding. The manufacturers would provide rebates, which would be recycled to serve more WIC participants. The food is free of charge to all participants.

Twenty percent of the total available funds (except for funds appropriated for program evaluation) are allocated among the States for costs for nutrition services and administration associated with the WIC Program. These costs include certifying participant eligibility, food delivery and warehousing, monitoring, nutrition education, financial management, clinic operations and administration by State agencies. Not less than one-sixth of these administrative funds must be used for nutrition education activities.

Public Law 95-627 states that up to one-half of one percent of program funds, not to exceed $3 million, may be made available for evaluation of program performance.

Public Law 99-661 permits the States to use up to one percent of current year's food money to cover the preceding year's food expenses or to use up to one percent of the preceding year's funds for the current year. This will allow States to make the transition from Fiscal Year 1987 to Fiscal Year 1988 without program disruption.

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $24,044,000 in the appropriation for the Supplemental Nutrition Assistance Program (WIC). On the basis of available funds, there is an increase of $23,990,247

Need for Change. The increase in funds is needed to maintain the program at the Fiscal Year 1986 level with an adjustment for inflation from the Fiscal Year 1986 base. The funds requested for Fiscal Year 1988 will support an average participation of 3.3 million women, infants and children. The funds requested also will be used to initiate efforts to exchange information among States and other grantees to improve program management and efficiency.

Nature of Change. The average cost per person will rise slightly from $41.08 in Fiscal Year 1987 to $42.55 in Fiscal Year 1988 offset by a slight decrease in participation.

	1987 Estimate	1988 Estimate	Change
Average Participation per month (in millions)	3.4	3.3	-.1
Program Level ($ in millions):			
Food costs	$1,329.2	$1,348.3	+$19.1
State and local administrative costs	332.3	337.1	+4.8
Program evaluation projects	2.0	2.1	+.1
Total	1,663.5	1,687.5	+24.0
Average cost per person per month	$41.08	$42.55	+$1.47

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Commodity Supplemental Food Program:

For necessary expenses to carry out the commodity supplemental food program as authorized by section 4(a) of the Agriculture and Consumer
1 Protection Act of 1973 (7 U.S.C. 612c(note)), [including not less than $2,950,000 for the projects in Detroit, New Orleans, and Des Moines, $41,497,000] $34,590,000: Provided, That funds provided herein shall
2,3 remain available through September 30, [1988:] 1989. [Provided further, That none of these funds shall be available to reimburse the Commodity Credit Corporation for commodities donated to the program.]

The first change deletes language referring to the funding for the Elderly Feeding Projects to provide flexibility in funding for the overall program.

The second change makes the 1988 appropriation available until September 30, 1989.

The third change deletes language referring to reimbursements for commodities donated to the program by Commodity Credit Corporation. The deleted language applies only to Fiscal Year 1987.

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP) - CURRENT LAW

Appropriation Act, 1987	$41,497,000
Budget Estimate, Current Law, 1988	34,590,000
Decrease in Appropriation	-6,907,000

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP) - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	$34,590,000
Change due to Proposed Legislation	--
Net request, President's 1988 Budget	34,590,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Commodity Supplemental Food Program (CSFP)..	$41,497,000	-$6,907,000	$34,590,000

PROJECT STATEMENT - CURRENT LAW
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
1. Commodity Supplemental Food Program (CSFP):				
(a) Commodities for supplemental food ...	$25,119,166	$24,094,000	+$69,000	$24,163,000
(b) Payments to distributing agencies for administration	6,707,261	6,756,000	-384,000	6,372,000
(c) Elderly feeding projects:				
(1) Food costs	3,948,469	7,767,000	-4,866,000	2,901,000
(2) Administration ..	1,002,104	2,880,000	-1,726,000	1,154,000
Total, Appropriation	36,777,000	41,497,000	-6,907,000(1)	34,590,000

PROJECT STATEMENT - CURRENT LAW
(On basis of available funds)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
1. Commodity Supplemental Food Program (CSFP):				
(a) Commodities for supplemental food ...	$25,260,199	$24,103,079	+$59,921	$24,163,000
(b) Payments to distributing agencies for administration	6,698,182	6,756,000	-384,000	6,372,000
(c) Elderly feeding projects:				
(1) Food costs	3,948,469	7,767,000	-4,866,000	2,901,000
(2) Administration..	1,002,104	2,880,000	-1,726,000	1,154,000
Total, obligations	36,908,954	41,506,079	-6,916,079(1)	34,590,000
Unobligated balances:				
Available, start of year..	-141,033	-9,079	+9,079	--
Available, end of year...	9,079	--	--	--
Total, Appropriation	36,777,000	41,497,000	-6,907,000	34,590,000

EXPLANATION OF PROGRAM

The Commodity Supplemental Food Program (CSFP) is authorized by section 4(a) of the Agricultural and Consumer Protection Act of 1973, as amended in 1981 by P.L. 97-98. This program provides supplemental foods to infants and children up to age six and to pregnant, postpartum and breastfeeding women and senior citizens who have low incomes and are residing in approved project areas.

In Fiscal Year 1987, authorized caseload levels of 158,587 women, infants and young children and 71,918 elderly have been allocated to receive food packages each month. The foods are provided by the Department of Agriculture for distribution through State agencies. The authorized commodities are iron-fortified infant formula, rice cereal, canned juice, evaporated milk and/or nonfat dry milk, canned vegetables or fruits, canned meat or poultry, egg mix, dehydrated potatoes, farina, and peanut butter or dry beans. Elderly participants receive all commodities except iron-fortified infant formula and rice cereal.

States are given 15 percent of the Federal funds appropriated to cover administrative costs. In addition, the Food Security Act of 1985 (P.L. 99-198), enacted December 23, 1985, authorized additional administrative funds by extending the formula to include 15 percent of the value of additional bonus commodities distributed. This legislation also provides for the expansion of the program to elderly persons beyond those in the original pilot sites. Allowable costs include nutrition education, warehousing, food delivery, participant certification, and other costs associated with State and local administration of the program.

The Food Stamp and Commodity Distribution Amendments of 1981 (P.L. 97-98) authorized the institution of two pilot commodity distribution projects directed at low-income elderly persons. Detroit, Michigan, and Des Moines, Iowa, were selected as pilot sites. A third project, authorized by the 1983 Agriculture Appropriations Act (P.L. 97-370) was established in New Orleans, Louisiana, in December 1982.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $6,907,000 in the appropriation for the Commodity Supplemental Food Program. On the basis of available funds, there is a decrease of $6,916,079.

Need for Change. Under current law, the Fiscal Year 1988 budget request of $34.6 million will support average caseload levels of 142,000 women, infants and children and 26,000 elderly. In Fiscal Year 1987, the Department has allocated the maximum caseload levels possible (158,587 women, infants and children and 71,918 elderly).

Nature of Change. Under current law, the Fiscal Year 1988 caseload levels will maintain participation at a level slightly above that attained in Fiscal Year 1986.

	1987 Estimate	1988 Current Law Estimate	Change
Caseload (in thousands):			
CSFP	159	142	-17
Elderly Feeding Projects	72	26	-46
Program Level ($ in millions):			
CSFP:	a/		
Food costs	$24.1	$24.1	--
State and local administrative costs	6.8	6.4	-$.4
Total	30.9	30.5	-.4
Elderly Feeding Projects:			
Food costs	$7.7	$2.9	-$4.8
State and local administrative costs	2.9	1.2	-1.7
Total	10.6	4.1	-6.5
TOTAL, CSFP and EFP	41.5	34.6	-6.9

	1987 Estimate	1988 Current Law Estimate	Change
Average food cost per person per month:			
CSFP:			
Entitlement	$13.83	$14.18	+$.35
Donated	6.83	7.01	+.18
	20.66	21.19	+.53
EFP:			
Entitlment	$9.00	$9.23	+$.23
Donated	11.29	11.57	+.28
	20.29	20.80	+.51

a/ Additional commodities necessary to cover program need based on average caseload and food costs will be provided from inventory and uncommitted commodities.

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

SUMMARY OF PROPOSED LEGISLATION

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

Item of Change	1988 Current Law	1988 Program Changes	1988 President's Request
1. Commodity Supplemental Food Program (CSFP):			
(a) Commodities for supplemental food	$24,163,000	--	$24,163,000
(b) Payments to distributing agencies for administration	6,372,000	-$1,480,000	4,892,000
(c) Elderly Feeding Projects:			
(1) Food costs	2,901,000	+1,554,000	4,455,000
(2) Administration	1,154,000	-74,000	1,080,000
Total, obligations	34,590,000	--	34,590,000

Explanation of Proposed Legislation

Legislation will be proposed to reduce administrative funding from 15 to 5 percent of the value of donated commodities. Caseload will be 142,000 for women, infants and children and 40,000 fo the elderly.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Stamp Program:

For necessary expenses to carry out the Food Stamp Act (7 U.S.C. 2011-2027, 2029), [$12,684,665,000] $11,962,550,000: Provided, That funds provided herein shall remain available through September 30, [1987] 1988, in accordance with section 18(a) of the Food Stamp Act: Provided further, That up to 5 per centum of the foregoing amount may be placed in reserve to be apportioned pursuant to section 3679 of the Revised Statutes, as amended, for use only in such amounts and at such times as may become necessary to carry out program operations: Provided further, That funds provided herein shall be expended in accordance with section 16 of the Food Stamp Act: Provided further, That this appropriation shall be subject to any work registration or workfare requirements as may be required by law: Provided further, That $345,000,000 of the funds provided herein shall be available only to the extent necessary after the Secretary has employed the regulatory and administrative methods available to him under the law to curtail fraud, waste and abuse in the program: Provided further, [That $852,750,000 of the foregoing amount shall be available for Nutrition Assistance for Puerto Rico as authorized by 7 U.S.C. 2028] That to be eligible for payment from funds appropriated under this heading, States must submit final claims for State administrative costs, including anti-fraud activity, within 90 days after the close of the fiscal year. Exceptions to these claims submission requirements may be made at the discretion of the Secretary.

The first change deletes language that pertains only to the Fiscal Year 1987 appropriation.

The second change deletes language pertaining to the amount appropriated for Nutrition Assistance for Puerto Rico. Reestablishing a separate account for Puerto Rico makes this language unnecessary.

The third change requires States to submit final claims for State administrative costs, including anti-fraud activity, within 90 days after the close of the fiscal year, to encourage States to expeditiously submit their claims and to prohibit payment of late claims.

FOOD STAMP PROGRAM - CURRENT LAW

Appropriations Act, 1987		$11,831,915,000
Budget Estimate, Current Law, 1988		11,962,550,000
Increase in Appropriation		+130,635,000
Adjustments in 1987:		
Appropriation Act, 1987	$11,831,915,000	
Transferred to Extention Service	-38,627,000	
Adjusted base for 1987		$11,793,288,000
Budget Estimate, Current Law, 1988		11,962,550,000
Increase over adjusted 1987		+169,262,000

FOOD STAMP PROGRAM - PROPOSED LEGISLATION

Budget Estimate, Current Law, 1988	$11,962,550,000
Change due to proposed legislation	-278,000,000
Net Request, President's 1988 Budget Request	11,684,550,000

SUMMARY OF INCREASES AND DECREASES - CURRENT LAW
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Program Changes	1988 Estimated
Benefits:			
Correct benefits	$ 9,864,292,000	+$357,415,000	$10,221,707,000
Erroneous benefits	811,349,000	+5,504,000	816,853,000
Total, Benefits Costs	10,675,641,000	+362,919,000	11,038,560,000
Administrative costs:			
Payments to States			
State administration	1,006,000,000	+28,948,000	1,034,948,000
Employment and training	50,000,000	+10,000,000	60,000,000
Subtotal, Payments to States	1,056,000,000	+38,948,000	1,094,948,000
Other program costs:			
Printing of stamps	28,116,000	+984,000	29,100,000
Shipment of stamps	5,111,000	+179,000	5,290,000
Processing redeemed stamps	13,123,000	+459,000	13,582,000
Computer support systems	2,616,000	+92,000	2,708,000
Certification of SSI recipients for food stamps	2,290,000	+80,000	2,370,000
Printing redemption certificates	227,000	+8,000	235,000
Bank monitoring system	375,000	+13,000	388,000
Printing other than stamps	725,000	+25,000	750,000
Research, evaluation and demonstration projects	8,901,000	-1,451,000	7,450,000
State exchange projects	163,000	+6,000	169,000
Subtotal, Other program costs	61,647,000	+395,000	62,042,000
Total, Administrative costs	1,117,647,000	+39,343,000	1,156,990,000
Collections:			
State error liability	--	-233,000,000	-233,000,000
Total, Available	11,793,288,000	+169,262,000	11,962,550,000
Transfers to:			
Extension Service	38,627,000	-38,627,000	--
Total, Appropriation	11,831,915,000	+130,635,000	11,962,550,000

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Benefits:				
Correct benefits	$ 9,776,231,379	$ 9,864,292,000	+$357,415,000(1)	$10,221,707,000
Erroneous benefits	850,107,000	811,349,000	+5,504,000(1)	816,853,000
	a/			
Total, Benefits costs	10,626,338,379	10,675,641,000	+362,919,000	11,038,560,000
Administrative costs:				
State administration	946,953,297	1,006,000,000	+28,948,000(2)	1,034,948,000
Employment and Training	33,373,108	50,000,000	+10,000,000(3)	60,000,000
Other program costs:				
Printing of stamps	18,891,484	28,116,000	+984,000	29,100,000
Shipment of stamps	2,366,410	5,111,000	+179,000	5,290,000
Processing redeemed stamps	11,904,000	13,123,000	+459,000	13,582,000
Computer support systems	2,361,510	2,616,000	+92,000	2,708,000
Certification of SSI recipients for food stamps	2,243,036	2,290,000	+80,000	2,370,000
Printing redemption certificates	132,706	227,000	+8,000	235,000
Bank monitoring system	195,000	375,000	+13,000	388,000
Printing other than stamps	636,875	725,000	+25,000	750,000
Research, evaluation and demonstration projects b/	7,522,588	8,901,000	-1,451,000	7,450,000
State exchange projects	106,462	163,000	+6,000	169,000
Subtotal, Other program costs	46,360,071	61,647,000	+395,000(4)	62,042,000
Total, Administrative costs	1,026,686,476	1,117,647,000	+39,343,000	1,156,990,000
Total, Obligations	11,653,024,855	11,793,288,000	+402,262,000	12,195,550,000
Offsetting collections from	c/			
Federal funds	-500,000	--	--	--
Unobligated balances:				
Lapsing	109,791,145	--	--	--
State error liability collections	--	d/ --	-233,000,000(5)	-233,000,000
Total, Available	11,762,316,000	11,793,288,000	+169,262,000	11,962,550,000
Transfers to:				
Office of the Inspector General	15,924,000	--	--	--
Office of the General Counsel	786,000	--	--	--
Extension Service	38,627,000	38,627,000	-38,627,000(6)	--
Total, Appropriation	11,817,653,000	11,831,915,000	+130,635,000	11,962,550,000
Proposed Legislation				-278,000,000
President's Budget				11,684,550,000

a/ More recent participation reports indicate that Fiscal Year 1986 benefit costs were $10,619,883,000.

b/ Includes 15 staff-years in Fiscal Year 1987 for quality control studies, and 4 staff-years in Fiscal Year 1988 for the same purpose.

c/ Funds provided by the Department of Health and Human Services--National Academy of Sciences for the review of the Quality Control System of the Food Stamp Program.

d/ The Fiscal Year 1987 Budget submitted to the Congress last year estimated that $169 million would be collected for State error liabilities. The Fiscal Year 1988 Budget estimates that outstanding liabilities will amount to $233 million and will instead be collected in Fiscal Year 1988. Based on the latest economic forecast, sufficient resources are available to operate the program for Fiscal Year 1987, although these State error liability collections have not materialized.

EXPLANATION OF PROGRAM

The Food Stamp Program, which is authorized through September 30, 1990, by the Food Security Act of 1985, (P.L. 99-198) helps individuals and families with low incomes to obtain a more nutritious diet. Eligible participants are entitled to food stamp allotments based on their household size and net income after provision has been made for certain deductions. The food stamps increase the food purchasing power of eligible households and thus enable them to attain a better diet than would have been possible without the assistance of the Food Stamp Program.

Benefit Costs. The Food Stamp Program is currently in operation in all 50 States, the District of Columbia, the Virgin Islands and Guam. Participating households receive food stamps whose value is determined by household size and income. The cost of the stamps is paid by the Federal Government and is called "benefit" costs. As required by law, the food stamp allotments for the various household sizes are periodically revised to reflect changes in the cost of the Thrifty Food Plan. The last revision was made on October 1, 1986.

Erroneous Benefits. Erroneous benefits are payments to ineligible households and overpayments to eligible households. In Fiscal Year 1987 the overpayment error rate is expected to be 7.6 percent of total benefit costs. It is anticipated that this rate will decline to 7.4 percent in Fiscal Year 1988.

The State social service agencies are responsible for certifying eligible households and issuing the food stamps. Authorized grocery stores accept the stamps as payment for food purchases, and forward them to commercial banks for cash or credit. The stamps flow through the banking system to the Federal Reserve Bank for redemption out of a special account maintained by the United States Treasury Department.

In Fiscal Year 1987, an average of 19,447,000 persons are expected to participate in the program monthly and receive stamps worth an average of $45.75 per person per month.

State Administration. Since October 1, 1974, all direct and indirect administrative costs incurred for certification of nonpublic assistance households, issuance of food stamps, quality control, and fair hearing efforts have been shared by the Federal Government and the States on a 50-50 basis. States may receive 60 percent Federal funding of administrative costs if their error rates are below five percent and a reasonable rate of invalid decisions is attained. State agencies are held liable if their error rate of overissuances and payments to ineligible households exceeds five percent in any fiscal year. Federal funding for 75 percent of automation costs incurred by State agencies is authorized by law.

State administration also includes State anti-fraud activities. Under the provisions of the Food Stamp Act of 1977, as amended, States are eligible to be reimbursed for not less than 75 percent of the costs of their food stamp fraud investigations and prosecutions. Of the funds appropriated for State administration, $63.4 million has been budgeted to cover State anti-fraud activities in Fiscal Year 1987.

Employment and Training Program. States are required to implement an employment and training program for the purpose of assisting members of households participating in the Food Stamp Program in gaining skills, training or experience that will increase their ability to obtain regular employment. In Fiscal Year 1987, the Department of Agriculture will implement a new grant program to States to assist them in providing employment and training services. The Department will pay the States $50 million to operate work programs in Fiscal Year 1987.

Other Program Costs. In addition to State administrative and employment and training expenses, other program costs borne by the Federal Government include:

(1) The printing and transporting of stamps to authorized State agencies;

(2) Processing and destruction of redeemed stamps by Federal Reserve Banks;

(3) The computer support control systems;

(4) The cost of certifying SSI/Social Security recipients for participation in the Food Stamp Program by the district offices of the Social Security Administration;

(5) The printing of food stamp redemption certificates;

(6) The bank monitoring system;

(7) Printed materials other than stamps to help families living in poverty or near poverty to achieve adequate diets;

(8) The cost of research, evaluation and demonstration projects authorized under Section 17 of the Food Stamp Act of 1977; and

(9) State exchange or operation awareness projects through which Federal and State joint efforts reduce fraud, waste and abuse in the Food Stamp Program.

Extension Service. In Fiscal Year 1987 funds will be transferred from the Food Stamp Program appropriation to the Extension Service for the Expanded Food and Nutrition Education Program (EFNEP).

The following reports of audits and investigations have been received in Fiscal Year 1986:

OIG Reports	Date	Subject
50651-2-CH	10/25/85	Security on Non-Federal ADP Systems
27649-1-CH	10/30/85	Monitoring Retailer Participation in the Food Stamp Program
27019-18-NY	12/30/85	Monthly Reporting and Retrospective Budgeting
27541-2-HY	1/9/86	Electronic Benefits Transfer Food Stamp Demonstration Project in Reading, Pennsylvania
27654-1-HY	2/27/86	Security and Accountability Over Food Stamp Printing
27541-6-TE	3/7/86	Funding State Procurements of ADP Equipment
27650-1-AT	5/12/86	Quality Control Error Rate Reduction System

GAO Reports	Date	Subject
COR-86-4	12/18/85	Use of Retailers and Wholesalers in the Food Stamp Program
RCED-86-17	3/14/86	Benefit Overpayments: Recoveries Could Be Increased in the Food Stamp and AFDC Programs
(Report made to Congress only; no public issuance)	4/4/86	Productivity in the Food Stamp, AFDC and Medicaid Programs
HRD-86-117BR	8/29/86	Managing Welfare: Issues and Alternatives for Reforming Quality Control Systems
RCED-86-195	9/19/86	Food Stamp Program: Refinements needed to Improve Accuracy of Error Rates

JUSTIFICATION OF INCREASES AND DECREASES - CURRENT LAW

(1) A net increase of $362,919,000 in the appropriation for Benefit Costs ($10,675,641,000 available in 1987) consisting of:

(a) An increase of $357,415,000 for correct benefit costs ($10,221,707,000 available in 1987.

Need for Change. For Fiscal Year 1988, the scheduled increase in the Thrifty Food Plan will result in an increase in benefits for all households. The increase will be partially offset by an anticipated reduction in the rate of program participation from 19.45 million in Fiscal Year 1987 to 19.30 million in Fiscal Year 1988, due to a number of factors, including a lower estimated level of unemployment in Fiscal Year 1988 and the results of agency's continued efforts at reducing fraud and overissuance.

Nature of Change. A decline in the average participation, offset by an increase in the Thrifty Food Plan, results in an increase in total benefit costs. A comparison of key program workload and cost indicators for Fiscal Years 1987 and 1988 is presented below:

	FY 1987 Estimate	FY 1988 Estimate	Change
Average participation (000)	19.447	19,301	-.146
Average unemployment rate (percent)	6.88	6.50	-.38
Thrifty Food Plan	$271.00	$282.00	+$11.00
Average benefit per person per month	$45.75	$47.66	+$1.91
Net benefit costs (millions)	$10,676	$11,039	+$369

(b) An increase of $5,504,000 for erroneous benefits ($811,349,000 available in 1987.

Need for change. The error rate is projected to decline from 7.6 percent in Fiscal Year 1987 to 7.4 percent in Fiscal Year 1988.

Nature of change. A decline in the overpayment error rate offset by an increase in overall benefit costs, results in an increase in erroneous benefit payments. A comparison of erroneous and benefit indicators follows:

Fiscal Year	1987	1988
Total Benefit Costs ($000)	$10,675	$11,039
Error Rate	.076	.074
Amount of Erroneous Benefits ($ mil.)	$811	$816

(2) An increase of $28,948,000 in the appropriation for State Administrative Costs ($1,006,000,000 available in 1987).

Need for Change. Based on the most recent economic projections, moderate rates of inflation between 1987 and 1988 are expected to increase the cost of providing food stamp benefits.

Nature of Change. This increase reflects the application of a projected rate of inflation of 3.7 percent to the Fiscal Year 1987 base level for costs shared by State and Local agencies and the Federal Government.

(3) An increase of $10,000,000 in the appropriation for the Employment and Training Program $50,000,000 available in 1987).

Need for Change. The increase of $10,000,000 for Employment and Training Programs is required by P.L. 99-195 which mandates the Secretary to allocate $60,000,000 among the States during Fiscal Year 1987 to carry out the Employment and Training Program.

(4) A net increase of $395,000 in the appropriation for Other Program Costs consisting of:

(a) An increase of $984,000 in the appropriation for the printing of stamps ($28,116,000 available in Fiscal Year 1987).

(b) An increase of $179,000 in the appropriation for the shipping of stamps ($5,111,000 available in Fiscal Year 1987).

(c) An increase of $459,000 in the appropriation for the processing of redeemed stamps ($13,123,000 available in Fiscal Year 1987).

(d) An increase of $92,000 in the appropriation for the cost of computer support systems ($2,616,000 available in Fiscal Year 1987).

(e) An increase of $80,000 in the appropriation for the cost of certification of Supplemental Security Income recipients for food stamps ($2,290,000 available in Fiscal Year 1987).

(f) An increase of $8,000 in the appropriation for the cost of printing redemption certificates ($227,000 available in Fiscal Year 1987).

(g) An increase of $13,000 in the appropriation for the cost of the bank monitoring system ($375,000 available in Fiscal Year 1987).

(h) An increase of $25,000 in the appropriation for printing other than stamps ($725,000 available in Fiscal Year 1987).

(i) A decrease of $1,451,000 in the appropriation for research, evaluation and demonstration projects ($8,901,000 available in Fiscal Year 1987).

(j) An increase of $6,000 in the appropriation for State exchange projects ($163,000 available in Fiscal Year 1987).

Need for Change. Increases in other program costs are attributed to the moderate rates of inflation projected between 1987 and 1988 ($61,647,000 available in 1987).

(5) A decrease of $233,000,000 resulting from collections for State error liabilities.

(6) A decrease of $38,627,000 transferred to the Extension Service ($38,627,000 available in 1986).

Need for Change. Transfers to other accounts from the Food Stamp Appropriation are not proposed in Fiscal Year 1988.

FOOD STAMP PROGRAM
Summary of Proposed Legislation

SUMMARY OF INCREASES AND DECREASES - PROPOSED LEGISLATION

	1987		
	Current Law	Program Change	President's Request
Total, Available	$11,962,550,000	-$278,000,000	$11,684,550,000

Explanation of Proposed Legislation

This budget proposes to make several changes in the Food Stamp Program that result in net savings of $278,000,000 in Fiscal Year 1988.

Count JTPA Income: This proposal would include stipends as well as the earnings provided under the Job Training Partnership Act of 1982 as income. The Food Security Act of 1985 included earnings as income except for dependents under age 19. This provision will extend the same treatment to stipends such as training allowances and needs-based payments. -- $10,000,000 savings in 1988.

Deduction of Shelter Expenses and Energy Assistance Payments: This proposal would eliminate from consideration as a shelter expense, for the purpose of computing the excess shelter deduction, any expense met by payments made under the Low Income Home Energy Assistance Act (LIHEAA). Such expenses would not be deductible whether the LIHEAA payment was made in cash directly to the household or paid to a third party. -- $57,000,000 savings in 1988.

Liability for Excess Errors: This proposal would hold States liable for the full dollar value of erroneously issued benefits in excess of five percent of total food stamp issuance and require estimated liabilities to be withheld from states' administrative grants. Under current law, the States are held liable for only a fraction of their erroneous issuances above five percent. -- $269,000,000 savings in 1988.

Special Matching for Administrative Costs: This proposal would reduce the enhanced funding now available to State agencies for their costs of investigating or prosecuting fraud and for the development of certain ADP systems. These costs are now shared on a 75/25 Federal/State basis. This provision would gradually reduce the matching share to a 50/50 basis by 1990. -- $3,000,000 savings in 1988.

Federal Funding of Excessive State Agency Administrative Costs: This proposal would establish a 25 percent Federal funding match for that portion of State agency administrative costs that exceed 125 percent of the national median cost per participant and eliminates the Federal match for State Agency Administrative costs that exceed 150 percent of the median -- $2,000,000 savings in 1988.

Interaction Costs: Proposed legislation affecting the Aid to Families with Dependent Children (AFDC) Program will increase Food Stamp costs by $63,000,000 in 1988.

Submission of Final Claims for State Administrative Costs: Legislation is also proposed to require States to submit final claims for State administrative costs, including anti-fraud activity, within 90 days after the close of the fiscal year. Exceptions to these claims submission requirements may be made at the discretion of the Secretary.

FOOD AND NUTRITION SERVICE

The estimates include new appropriation language for this item. New language is underscored.

Nutrition Assistance for Puerto Rico:

1 For monthly payments to the Commonwealth of Puerto Rico for nutrition assistance, as authorized by 7 U.S.C. 2028, $825,000,000: Provided, That $825,000,000 shall be the maximum amount available.

This change establishes a separate account for Nutrition Assistance for Puerto Rico and limits the amount available for Fiscal Year 1988.

NUTRITION ASSISTANCE FOR PUERTO RICO

Appropriation Act, 1987	$852,750,000
Budget Estimate, 1988	825,000,000
Decrease in Appropriation	-27,750,000

SUMMARY OF DECREASES
(On basis of appropriation)

Item of Change	1987 Estimated	Program Change	1988 Estimated
Nutrition Assistance for Puerto Rico	$852,750,000	-$27,750,000	$825,000,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Decrease	1988 Estimated
Nutrition Assistance for Puerto Rico	$ 820,050,000	$ 852,750,000	-27,750,000	$ 825,000,000

EXPLANATION OF PROGRAM

Authorized by section 116(a) of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), grant for nutrition assistance to Puerto Rico was implemented July 1, 1982. This grant, whi replaced the Food Stamp Program in Puerto Rico, gives the Commonwealth broad flexibility to establish a food assistance program that is specifically tailored to the needs of its low-income households. However, the Commonwealth must submit its annual plan of operation to the Secretary for approval. The Food Security Act of 1985 (P.L. 99-198), enacted December 23, 1985, reauthorizes appropriations through Fiscal Year 1990.

In addition to the provision of direct benefits to the needy, a portion of the grant may be used to fund up to 50 percent of the costs of administering the program. The grant may also be used to fund projects to improve agriculture and food distribution in Puerto Rico. Two such projects were in operation during Fiscal Year 1986, while only one will continue to be funded during Fiscal Year 1987.

JUSTIFICATION OF DECREASES

(1) A decrease of $27,750,000 in the appropriation for Nutrition Assistance for Puerto Rico ($852,750,000 available in 1987).

This decrease assumes that the Commonwealth of Puerto Rico would use the flexibility afforded by the grant to tailor eligibility standards and/or benefit levels to stay within the funding level of $825 million.

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

[Food Donations Programs for Selected Groups] Cash and Commodities for Selected Groups:

For necessary expenses to carry out section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c (note)) [and],
1 section 4(b) of the Food Stamp Act (7 U.S.C. 2013), and section 311 of the Older Americans Act of 1965, as amended (42 U.S.C. 3030(a)), [$193,589,000] $193,203,000.

This change is to include citation of the enabling legislation for the Nutrition Program for the Elderly.

CASH AND COMMODITIES FOR SELECTED GROUPS

Appropriations Act, 1987	$193,589,000
Budget Estimate, 1988	193,203,000
Decrease in Appropriation	-386,000

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

	1987 Estimated	Program Changes	1988 Estimated
Needy Family Program:			
Commodities-in-lieu of food stamps	$40,676,000	-$3,588,000	$37,088,000
Payments to distributing agencies for administration	15,756,000	+47,000	15,803,000
Total, Needy Family Program	56,432,000	-3,541,000	52,891,000
Nutrition Program for the Elderly	137,157,000	+3,155,000	140,312,000
Total Available	193,589,000	-386,000	193,203,000

PROJECT STATEMENT
(On basis of appropriation)

Project	1986 Actual	1987 Estimated	Increase or Decrease	1988 Estimated
Needy Family Program:				
Commodities in lieu of food stamps	$39,113,591	$40,676,000	-$3,588,000	$37,088,000
Payments to distributing agencies for administration	14,880,933	15,756,000	+47,000	15,803,000
Subtotal, Needy Family Program	53,994,524	56,432,000	-3,541,000(1)	52,891,000
Nutrition Program for the Elderly:				
(a) Commodities	5,075,740	7,800,000	+800,000	8,600,000
(b) Cash in lieu of commodities	134,507,260	129,357,000	+2,355,000	131,712,000
Subtotal, Nutrition Program for the Elderly	139,583,000	137,157,000	+3,155,000(2)	140,312,000
Total Obligations	193,577,524	193,589,000	-386,000	193,203,000
Unobligated balance lapsing	11,476	--	--	--
Total, Appropriation	193,589,000	193,589,000	-386,000	193,203,000

EXPLANATION OF PROGRAM

Cash and Commodities for Selected Groups appropriation funds for the Food Distribution Program on Indian Reservations; the continuation of food assistance to residents of the former Trust Territories of the Pacific (Federated States of Micronesia, Marshall Islands, and the Republic of Palau); and the Nutrition Program for the Elderly.

Food Distribution Programs on Indian Reservations and in the Former Trust Territories. The Food and Agriculture Act of 1977 authorized the distribution of agricultural commodities to eligible needy persons residing on or near Indian reservations or in the Trust Territories of the Pacific. The Act requires that a food distribution program be established on an Indian reservation if an Indian Tribal Organization (ITO) requests the program. If the ITO is capable of administering the program, it may do so in lieu of administration by a State agency. P.L. 97-98 authorized low-income Indian households residing in Oklahoma and not living on a reservation to participate in the program.

The Compact of Free Association Act of 1985 as amended by the Palau Compact of Free Association Act and approved by the peoples of the Federated States of Micronesia and the Marshall Islands terminates the Trusteeship Agreement and established them as freely associated states. For transition purposes, food assistance will continue in Fiscal Year 1987 and 1988 but at reduced levels as prescribed in the Compact. Food assistance for Palau will continue at normal levels until the residents of Palau approve their compact.

In Fiscal Year 1987 participation in the Food Distribution Program on Indian Reservations is expected to average about 142,503 per month. It is estimated that 5,280 residents of the former Trust Territories will receive food assistance in FY 1987.

The foods made available to the distributing agencies include canned meat, fruit, vegetables and juice, flour, rice, evaporated milk, dry milk and shortening. To the extent that surplus price-support commodities are available and can be used without waste, the Commodity Credit Corporation (CCC) donates them for use in this program. In Fiscal Year 1987 the cost of the food package distributed on Indian reservations will average about $20.67 per person per month while the food package distributed in the Trust Territory will average about $15.46. These package costs do not include the value of commodities donated by CCC.

Cash payments are made to distributing agencies to assist them in meeting the administrative expenses incurred in operating a food distribution program. In Fiscal Year 1986, the Federal Government paid 82 percent of distributing agencies' administrative expenses. Included among these costs are local warehousing and transportation of commodities, utilities, salaries and equipment.

Nutrition Program for the Elderly

Commodity support for the Nutrition Program for the Elderly is authorized by Titles III and VI of the Older Americans Act of 1965. The foods provided are used in preparing meals which are served in senior citizen centers and similar settings or delivered to the home-bound elderly. These meals are the focal point of the nutrition projects for the elderly which have the dual objectives of promoting better health and reducing the isolation of old age.

Currently, commodities or cash in lieu of commodities are distributed through State agencies to the local meal sites at a specific rate per meal set by law. Some States elect to take all of their subsidies in cash and some States choose to receive a combination of cash and commodities. The commodities made available to the Nutrition Program for the Elderly are generally the same as those provided to schools under the Child Nutrition Programs.

Although originally a program to distribute nutritious USDA purchased commodities to senior meal sites, the program has evolved into a cash subsidy program. Almost 96 percent of program resources are distributed to meal providers in cash.

Given the funds available in Fiscal Year 1987, the Department will be able to provide the 56.76 cents per meal rate established by P.L. 99-269 for 241.6 million meals.

JUSTIFICATION OF INCREASES AND DECREASES

(1) A decrease of $3,541,000 in the appropriation for the Needy Family Program on Indian Reservations and in the Trust Territories.

Need for Change. The net decrease of $3,541,000 from the 1987 appropriation to the 1988 request reflects decreased funding needs due to the expected availability of commodities purchased in advance of 1988, partially offset by an increase in costs due to higher anticipated participation and administrative costs.

Nature of Change. Funds requested will allow the average monthly participation in the Needy Family Program on Indian Reservations to increase over the 1987 level. Funds requested for disaster feeding is increased slightly from 1987 to 1988 to cover anticipated food costs increases.

(2) An increase of $3,155,000 in the appropriation for the Nutrition Program for the Elderly

Need for Change. The increase of $3,155,000 from the 1987 appropriation to the 1988 request allows for inflationary increases in program costs.

Nature of Change. States will have increased resources from the Department for program operations. Legislation will be proposed to allocate the 1988 funds to States through grants based on the number of meals served in a State in 1987.

Needy Family Program

Indians:	FY 1987 Estimate	FY 1988 Estimate	Change
Average participation	142,503	143,503	+1,000
Average monthly food package:			
FNS purchased	$20.67	$21.19	+$.52
CCC bonus	7.23	7.63	+$.40
Total monthly food package	$27.90	$28.82	+$.92
Annual value of commodities:			
FNS Purchased	$35,346,444	$36,489,943	+$1,143,499
CCC bonus	12,366,296	13,142,378	+776,082
Indian Total	$47,712,740	$49,632,321	+$1,919,581
Trust Territory:			
Average participation	5,280	520	-4,760
Average monthly food package:			
FNS purchased	$15.46	$15.85	+$.39
CCC bonus	5.41	5.71	+.30
Total monthly food package	20.87	21.56	+.69
Annual value of commodities:			
FNS purchased	$979,546	$ 98,904	-$880,642
CCC bonus	342,704	35,622	-307,082
Trust Territory Total	$1,322,250	$134,526	-$1,187,724
Total:			
Total, Indians and Trust Territory:			
Average participation	147,783	144,023	-3,760
Annual value of commodities	$49,034,990	$49,766,847	+731,857
Disaster Feeding	$ 474,000	$ 499,153	+$ 25,153
Indian Administration Cost	15,756,000	15,803,000	+$47,000
Potential Food Purchases	3,876,010	--	-3,876,010
TOTAL FNS FOOD COST	40,676,000	37,088,000	-$3,588,000
TOTAL FNS NFP COST	$56,432,000	$52,891,000	-$3,541,000

	Fiscal Year 1987 Current Services	Fiscal Year 1988 Appropriation	
Needy Family Program	$56,432,000	$52,891,000	= -$3,541,000

FOOD AND NUTRITION SERVICE

The estimates include appropriation language for this item as follows (new language underscored; deleted matter enclosed in brackets):

Food Program Administration:

For necessary administrative expenses of the Domestic Food Programs funded under this Act, [$82,578,000] $87,942,000; of which $5,000,000 shall be available only for simplifying procedures, reducing overhead costs, tightening regulations, improving food stamp coupon handling, and assistance in the prevention, identification, and prosecution of fraud and other violations of law: Provided, That this appropriation shall be available for employment pursuant to the second sentence of section 706 (a) of the Organic Act of 1944 (7 U.S.C. 2225), and not to exceed $150,000 shall be available for employment under 5 U.S.C. 3109.

FOOD PROGRAM ADMINISTRATION

Appropriations Act, 1987		$82,578,000
Budget Estimate, 1988		87,942,000
Increase in Appropriation		+5,364,000
Adjustments in 1987		
Appropriations Act, 1987	$82,578,000	
Pay Costs and FERS a/	+2,216,000	
Transfer to Departmental Administration for Reimbursable Activities b/	-27,000	
Adjusted base for 1987		84,767,000
Budget estimate, 1988		87,942,000
Increase over adjusted 1987		+3,175,000

a/ Includes an increase of $713,000 for pay increases and $1,503,000 for retirement costs.

b/ A transfer of $27,000 to Departmental Administration to fund activities previously financed on a reimbursable basis and by a direct appropriation in Fiscal Year 1988.

SUMMARY OF INCREASES AND DECREASES
(On basis of adjusted appropriation)

Item of Change	1987 Estimated	Pay Costs and FERS	Program Changes	1988 Estimated
Child Nutrition	$27,426,000	+$1,532,000	-$514,000	$28,444,000
Special Milk	149,000	+5,000	--	154,000
Supplemental Nutrition Assistance	6,936,000	+387,000	-129,000	7,194,000
Food Stamp	48,476,000	+2,703,000	-876,000	50,303,000
Cash and Commodities for Selected Groups	1,780,000	+99,000	-32,000	1,847,000
Total Available	84,767,000	+4,726,000 c/	-1,551,000	87,942,000

c/ Includes an increase of $1,174,000 for pay increases effective in Fiscal Year 1987 and $3,552,000 for increased retirement costs.

PROJECT STATEMENT
(On basis of adjusted appropriation)

Project	1986 Actual Amount	1986 Actual Staff Years	1987 Estimated Amount	1987 Estimated Staff Years	Increase or Decrease	1988 Estimated Amount	1988 Estimated Staff Years
1. Child Nutrition	$25,377,000	628	$27,426,000	619	+$1,018,000	$28,444,000	604
2. Special Milk	145,000	4	149,000	4	+5,000	154,000	4
3. Supplemental Nutrition Assistance	6,420,000	146	6,936,000	144	+258,000	7,194,000	140
4. Food Stamp	44,621,825	1,171	48,476,000	1,154	+1,827,000	50,303,000	1,127
5. Cash and Commodities for Selected Groups	1,648,000	48	1,780,000	47	+67,000	1,847,000	46
Unobligated balance	187,175	--	--	--	--	--	--
Total available or estimate	78,399,000	1,997	84,767,000	1,968	+3,175,000(1)	87,942,000	1,921
Transfers in for Civilian Pay Raises	--		-713,000				
Transfers in for Retirement Contributions	--		-1,503,000				
Transfer to Departmental Administration	+63,000		+27,000				
Transfer to Office of Governmental and Public Affairs	+19,000		--				
Total, Appropriation	78,481,000		82,578,000				

EXPLANATION OF PROGRAM

Federal expenses associated with administration of the Food and Nutrition Service programs are provided in the FPA appropriation. These expenses involve program and policy development, program monitoring, assistance to State agencies which actually operate the programs and general management support. Costs directly associated with delivery of benefits to participants are generally shared with the States and are funded from the individual program appropriations. Direct Federal operation of programs is provided through the FPA appropriation only in certain cases where a State is prohibited by law from disbursing program funds or where no State agency has assumed administrative responsibility.

The following programs are administered by FNS: Child Nutrition Programs, Special Milk Program, Supplemental Nutrition Assistance Program, Commodity Supplemental Food Program (CSFP), Food Stamp Program, Nutrition Assistance to Puerto Rico, and the Cash and Commodities for Selected Groups.

Administrative functions of FNS are managed by an Administrator, an Associate Administrator and four Deputy Administrators. Each Deputy Administrator is responsible for management of program or administrative functions, as follows:

-- Family Nutrition Programs - policy and planning related to the Food Stamp Program. Also handles retail store compliance and monitoring investigations through field locations.

-- Special Nutrition Programs - program planning, development and oversight for Child Nutrition, Supplemental Nutrition Assistance Programs, Cash and Commodities for Selected Groups, and nutrition and technical services.

-- Financial Management - accounting, budget and management information functions for all FNS programs.

-- Management - personnel, equal employment opportunity, automated data processing and general administrative services.

An Office of Regional Operations manages the seven regional offices and 74 field offices. These offices maintain direct contact with State agencies which administer the FNS programs and also conduct on-site management reviews of State operations.

A major area of emphasis in the administration of FNS programs involves reducing fradulent and wasteful practices in program operations. Management reviews of State operations, carried out by regional office personnel, are a high priority in this area. These reviews focus on compliance with program regulations as well as general operational concerns. In addition to management reviews, increased monitoring of financial operations and reporting is being undertaken.

Food Stamp Program quality control review, to assess the States' liabilities with regard to benefit overissuance, is a second area of emphasis. Assistance with computerized systems to monitor error rates has been made available to all States.

A program to facilitate sharing of information among State agencies which operate FNS programs also remains a high priority. This program reduces duplication of effort in developing and evaluating new systems and procedures to curtail fraud by making information on actual experiences readily available to other States.

OIG Reports

#50651-2-CH 4/86	Audit of Security of Non-Federal ADP Systems
#27645-2-CH 9/85	Audit of FNS Cash and Debt Management
#2718-4-CH 12/85	Audit of Improper Cash Advance for Contract No.53-3198-3-13

JUSTIFICATION OF INCREASES AND DECREASES

(1) An increase of $5,161,000 for salaries and benefits and related costs consisting of an increase of $4,726,000 for pay costs and FERS, and an increase of $435,000 for other associated costs.

Need for Change. Salaries and benefit costs are increased to provide for additional costs related to the 1987 civilian pay raise, implementation of the Federal Employees Retirement System, and increased health and other benefit costs. The 1987 civilian pay raise, effective for a portion of FY 1987, will be fully annualized in FY 1988 for an increase in salaries of $1,186,000. In addition, the new Federal Employees Retirement System, effective for a portion of FY 1987, and health and other employee benefits will increase benefits costs by $3,975,000.

(2) An increase of $344,000 for inflation, and a decrease of $2,330,000 for the Information Resources Management (IRM) plan.

Need for change. Other FPA costs are increased by around 3 percent for inflation, $344,000. Implementation of the Information Resources Management (IRM) plan which includes major hardware purchases and systems redesign will begin in FY 1987. IRM funds included for FY 1988 reflect a decrease of $2,330,000 from FY 1987 funding. The FY 1988 funds will provide for the purchase of additional hardware, software and employee training (FY 1988, $2,830,000). Travel costs will remain at the FY 1987 level.

Nature of Change. FNS will have the resources to continue to maintain the current rate of progress on "Reform 88" initiatives, provide technical assistance and coordination of State agency automated data processing systems, continue to improve the management of information resources, reduce both the level and perception of fraud, waste and abuse in our programs, and improve our analysis of program performance and financial data. Continued streamlining and automation will permit the redirection of efforts to these priority objectives. Funding for the IRM plan provides for the purchase of additional microcomputers and associated equipment including software and employee training. Additional systems redesign will also take place.

GENERAL PROVISIONS

The estimates include General Provisions language as follows (new language underscored; deleted matter enclosed in brackets):

Section 601: Limits expenditures on consulting services obtained through procurement contracts to contracts of public record.

> Sec. 601. The expenditure of any appropriation under this Act for any consulting service through procurement contract, pursuant to 5 U.S.C. 3109, shall be limited to those contracts where such expenditures are a matter of public record and available for public inspection, except where otherwise provided under existing law, or under existing Executive order issued pursuant to existing law.

Section 602: Provides authority for the purchase, replacement, and hire of passenger motor vehicles. The following changes are proposed in this section for 1987.

> Sec. 602. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department of Agriculture for the fiscal year [1987] 1988 under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed [seven] three hundred [thirty-four (734)] fifty-four (354) passenger motor vehicles, of which [seven] three hundred [twenty-six (726)] forty-six (346) shall be for replacement only, and for the hire of such vehicles.

The first change adds language making this section of the General Provisions applicable to fiscal year 1988.

The second and third changes revise the total number of passenger motor vehicles to be acquired in fiscal year 1988. The estimates propose the acquisition of 354 passenger motor vehicles. Of this amount 346 would be acquired to replace existing vehicles and 8 would be additions to the fleet. Of the 8 vehicles to be acquired without exchange, two are to replace light truck type of vehicles owned by the Foreign Agricultural Service; five are to be used by the Agricultural Marketing Service to provide a means of transportation for graders in the Imported Tobacco Inspection Program; and one for use by the National Agricultural Statistics Service.

Section 603: Provides that funds available to the Department of Agriculture shall be available for uniforms or uniform allowances.

> Sec. 603. Funds in this Act available to the Department of Agriculture shall be available for uniforms or allowances therefore as authorized by law (5 U.S.C. 5901-5902).

Section 604: Provides that not less than $1,500,000 of the appropriations of the Department for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with these Acts.

> Sec. 604. Not less than $1,500,000 of the appropriations of the Department of Agriculture in this Act for research and service work authorized by the Acts of August 14, 1946, July 28, 1954, and September 6, 1958 (7 U.S.C. 427, 1621-1629; 42 U.S.C. 1891-1893), shall be available for contracting in accordance with said Acts.

Section 605: Prohibits the use of funds in this Act to make production or other payments to a person, persons, or corporations who harvest or knowingly permit to be harvested for illegal use, marihuana, or other prohibited drug-producing plants on lands owned or controlled by such persons or corporations.

> Sec. 605. No part of the funds contained in this Act may be used to make production or other payments to a person, persons, or corporation upon a final finding by court of competent jurisdiction that such party is guilty of growing, cultivating, harvesting, processing or storing marihuana, or other such prohibited drug-producing plants on any part of lands owned or controlled by such persons or corporations.

Section 606: Provides that advances of money from any appropriation for the Department of Agriculture may be made by authority of the Secretary of Agriculture to chiefs of field parties.

> Sec. 606. Advances of money to chiefs of field parties from any appropriation in this Act for the Department of Agriculture may be made by authority of the Secretary of Agriculture.

Section 607: Provides a limitation on the cumulative total of transfers to the Working Capital Fund for the purpose of accumulating growth capital for data services and National Finance Center operations.

> Sec. 607. The cumulative total of transfers to the Working Capital Fund for the purpose of accumulating growth capital for data services and National Finance Center operations shall not exceed $2,000,000: Provided, That no funds in this Act appropriated to an agency of the Department shall be transferred to the Working Capital Fund without the approval of the agency administrator.

Section 608: Provides that certain funds are to remain available until expended.

> Sec. 608. New obligational authority provided for the following appropriation items in this Act shall remain available until
> 1 expended: Public Law 480; [Mutual and Self-Help Housing; Watershed and Flood
> Prevention Operations; Resource Conservation and Development; Colorado River
> Basin Salinity Control Program;] Animal and Plant Health Inspection Service,
> Buildings and Facilities; Agricultural Stabilization and Conservation Service
> Salaries and Expenses funds made available to county committees; the Federal
> 2 Crop Insurance Corporation Fund; [Rural Housing for Domestic Farm Labor;
> Agricultural Research Service, Buildings and Facilities; Scientific
> Activities Overseas (Foreign Currency Program); Dairy Indemnity Program; and
> $5,000,000 for the grasshopper and Mormon cricket control program, Animal and
> Plant Health Inspection Service; $2,852,000 for higher education training
> grants under section 1417(a)(3)(B) of Public Law 95-113, as amended (7 U.S.C.
> 3152(a)(3)(B));] and Buildings and Facilities, Food and Drug Administration.

The first and second changes delete the respective accounts. There are no program funds requested for these accounts, therefore, it is not necessary to have this requirement.

Section 609: Provides that no part of any appropriation in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

> Sec. 609. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

Section 610: Provides a limitation on the amount of funds available to provide orientation and language training for families of officers and employees of the Department in anticipation of an assignment abroad of such officers and employees or while abroad, pursuant to Public Law 94-449.

> Sec. 610. Not to exceed $50,000 of the appropriation available to the Department of Agriculture in this Act shall be available to provide appropriate orientation and language training pursuant to Public Law 94-449.

Section 611: Provides that employees of the agencies of the Department of Agriculture may be utilized to provide part-time and intermittent assistance to other agencies of the Department, without reimbursement, during periods when they are not otherwise fully utilized.

Sec. 611. Notwithstanding any other provision of law, employees of the agencies of the Department of Agriculture, including employees of the Agricultural Stabilization and Conservation county committees, may be utilized to provide part-time and intermittent assistance to other agencies of the Department, without reimbursement, during periods when they are not otherwise fully utilized, and ceilings on full-time equivalent staff years established for or by the Department of Agriculture shall exclude overtime as well as staff years expended as a result of carrying out programs associated with natural disasters, such as forest fires, droughts, floods, and other acts of God.

Section 612: Requires that funds provided by this Act for personnel compensation and benefits shall be available for obligation for that purpose only.

[Sec. 612. Funds provided by this Act for personnel compensation and benefits shall be available for obligation for that purpose only.]

This change deletes the entire section 612. This change is requested in order to permit the Secretary, his policy staff and program managers the flexibility needed to carry out responsibilities to see that the programs of the Department are operated in the most efficient and effective manner.

Section 613: Limits expenditure of funds on contracts for services to those awarded in accordance with existing law.

[Sec. 613. No part of any appropriation contained in this Act shall be expended by any executive agency, as referred to in the Office of Federal Procurement Policy Act (41 U.S.C. 401 et seq.), pursuant to any obligation for services by contract, unless such executive agency has awarded and entered into such contract as provided by law.]

This change deletes the entire section 613. This provision is unnecessary because funds are expended on contracts for services that are awarded in accordance with existing law.

Section 614. Prohibits use of funds to enforce regulations that have been disapproved in accordance with applicable law.

[Sec. 614. None of the funds appropriated or otherwise made available by this Act shall be available to implement, administer, or enforce any regulation which has been disapproved pursuant to a resolution of disapproval duly adopted in accordance with the applicable law of the United States.]

This change deletes the entire section 614. Funds of this Department are not available to implement regulations disapproved by the Congress in accordance with the applicable law of the United States.

Section 615: Specifies the minimum amount of certificates of beneficial ownership that must be sold by the Farmers Home Administration during the fiscal year.

[Sec. 615. Certificates of beneficial ownership sold by the Farmers Home Administration in connection with the Agricultural Credit Insurance Fund, Rural Housing Insurance Fund, and the Rural Development Insurance Fund shall be not less than 65 per centum of the value of the loans closed during the fiscal year.]

This change deletes the entire section 615. Effective and efficient operation of the cash management activities of the Department requires that the Executive Branch have control over the decision to sell certificates of beneficial ownership.

Section 616: Limits the negotiated indirect cost rates on cooperative agreements between the Department and non-profit institutions to 10 per centum of the value of the agreement.

Sec. [616] 612. No funds appropriated by this Act may be used to pay negotiated indirect cost rates on cooperative agreements or similar arrangements between the United States Department of Agriculture and nonprofit institutions in excess of 10 per centum of the total direct cost of the agreement when the purpose of such cooperative arrangements is to carry out programs of mutual interest between the two parties. This does not preclude appropriate payment of indirect costs on grants and contracts with such institutions when such indirect costs are computed on a similar basis for all agencies for which appropriations are provided in this Act.

This change renumbers the section due to deletion of other sections.

Section 617: Funds shall not be used to carry out any activity related to the phasing out of the Resource Conservation and Development Program.

[Sec. 617. None of the funds in this Act shall be used to carry out any activity related to phasing out the Resource Conservation and Development Program.]

This change deletes the entire section 617. The budget proposes to terminate this program.

Section 618: Ensures the Commodity Credit Corporation's right and obligation to sell surplus commodities in world trade at competitive prices.

Sec. [618] 613. None of the funds in this Act shall be used to prevent or interfere with the right and obligation of the Commodity Credit Corporation to sell surplus agricultural commodities in world trade at competitive prices as authorized by law.

This change renumbers the section due to the deletion of other sections.

Section 619: Enables the Secretary of Agriculture to provide commodities to individuals in certain hardship situations.

Sec. [619] 614. Notwithstanding any other provision of this Act, commodities acquired by the Department in connection with Commodity Credit Corporation and Section 32 price support operations may be used, as authorized by law (15 U.S.C. 714c and 7 U.S.C. 612c), to provide commodities to individuals in cases of hardship as determined by the Secretary of Agriculture.

This change renumbers the section due to the deletion of other sections.

Section 620: Requires that before any funds may be paid from the Treasury, or any other fund of a Goverment Corporation, with respect to laws made and credits extended to the Polish People's Republic, that Republic must have been declared to be in default of its debt or the President on a monthly basis, must justify payments as serving the national interest.

[Sec. 620. During fiscal year 1987, notwithstanding any other provision of law, no funds may be paid out of the Treasury of the United States or out of any fund of a Government corporation to any private individual or corporation in satisfaction of any assurance agreement or payment guarantee or other form of loan guarantee entered into by any agency or corporation of the United States Government with respect to loans made and credits extended to the Polish People's Republic, unless the Polish People's Republic has been declared to be in default of its debt to such individual or corporation or unless the President has provided a monthly written report to the Speaker of the House of Representatives and the President of the Senate explaining the manner in which the national interest of the United States has been served by any payments during the previous month under loan guarantee or credit assurance agreement with respect to loans made or credits extended to the Polish People's Republic in the absence of a declaration of default.]

This change deletes the entire section. Allowing the Polish People's Republic to declare default would preclude the recovery of funds owed and create a precedent for other countries to pursue in times of economic hardship.

Section 621: Limits the expenditure of appropriated funds for space costs - Standard Level User Charges (SLUC) to that level included in the 1988 budget.

Sec. [621] 615. None of the funds in this Act shall be available to reimburse the General Services Administration for payment of Standard Level User Charges in excess of the amounts specified in this Act.

This change renumbers the section due the deletion of other sections.

Section 622: Requires that not less than twenty construction starts will be initiated in FY 1987, under the Watershed Protection and Flood Prevention Act, P.L. 566 (not less than twenty new projects), and the Flood Prevention Act, P.L. 534 (not less than five new projects).

[Sec. 622. In fiscal year 1987, the Secretary of Agriculture shall initiate construction on not less than twenty new projects under the Watershed Protection and Flood Prevention Act (Public Law 566) and not less than five new projects under the Flood Control Act (Public Law 534).]

This change deletes the entire section. Inflation, interest rates, and unemployment have fallen dramatically since the President's Program for Economic Recovery was initiated, and to sustain this situation continued austerity in Federal spending must be observed. For this reason, reductions are being proposed in many planning, construction, and related programs, such as operations authorized by Public Law 534 and Public Law 566.

Section 623: Provides that funds may be used for translating certain USDA publications.

Sec. [623] 616. Funds provided by this Act may be used for translation of publications of the Department of Agriculture into foreign languages when determined by the Secretary to be in the public interest.

This change renumbers the section due to deletion of other sections.

Section 624: Precludes the relocation of the FmHA State Office in Hawaii.

[Sec. 624. None of the funds appropriated by this or any other Act may be used to relocate the Hawaii State Office of the Farmers Home Administration from Hilo, Hawaii, to Honolulu, Hawaii.]

This change deletes the entire section. This change is requested in order to permit the Secretary and his staff in the Farmers Home Administration the flexibility needed to carry out the mission of that agency.

Section 625: Exempts veterinarians from constraints on personal services contracts under existing law.

> Sec. [625] 617. Provisions of law prohibiting or restricting personal services contracts shall not apply to veterinarians employed by the Department to take animal blood samples, test and vaccinate animals, and perform branding and tagging activities on a fee-for-service basis.

This change renumbers the section due to the deletion of other sections.

Section 626: Establishes minimum staff year floors for certain agencies.

> [Sec. 626. None of the funds provided in this Act may be used to reduce programs by establishing an end-of-year employment ceiling on full-time equivalent staff years below the level set herein for the following agencies: Farmers Home Administration, 12,675; Agricultural Stabilization and Conservation Service, 2,550; and Soil Conservation Service, 14,177.]

This change deletes the entire section. This change is requested in order to permit the Secretary the flexibility needed to carry out the programs of the Department in the most efficient and effective manner.

Section 627: Funds appropriated for one-year contracts which extend over two-years are to be obligated in the year funds are appropriated.

> Sec. [627]. 618 Funds provided in this Act may be used for one-year contracts which are to be performed in two fiscal years so long as the total amount for such contracts is obligated in the year for which the funds are appropriated.

This change renumbers the section due to the deletion of other sections.

Section 628: Funds may be applied only to the objects for which appropriations were made.

> Sec. [628] 619. Funds appropriated by this Act shall be applied only to the objects for which appropriations were made except as otherwise provided by law, as required by 31 U.S.C. 1301.

This change renumbers the section due to the deletion of other sections.

Section 629: No funds are to be available to restrict the Commodity Credit Corporation from leasing space for its own use or to lease space for others when the space will be jointly occupied.

> Sec. [629] 620. None of the funds in this Act shall be available to restrict the authority of the Commodity Credit Corporation to lease space for its own use or to lease space on behalf of other agencies of the Department of Agriculture when such space will be jointly occupied.

This change renumbers the section due to the deletion of other sections.

Section 630: Provides for the continuation of the current procedure of section 9 of the Small Business Act, as amended.

> [Sec. 630. All funds appropriated for this fiscal year and all funds appropriated hereafter by this or any other Act that are determined to be part of the "extramural budget" of the Department of Agriculture for any fiscal year for purposes of meeting the requirements of section 9 of the Small Business Act (15 U.S.C. 638), as amended by the Small Business Innovation Development Act of 1982, Public Law 97-219, shall be available for contracts, grants or cooperative agreements with small business concerns for any purpose in furtherance of the small business innovation research program. Such funds may be transferred for such purpose from one appropriation to another or to a single account.]

This change eliminates this section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 631: Prohibits the release of information acquired in connection with the administration of marketing orders, other than aggregate data.

> [Sec. 631. None of the funds provided in this Act may be expended to release information acquired from any handler under the Agricultural Marketing Agreement Act of 1937, as amended: Provided, That this provision shall not prohibit the release of information to other Federal agencies for enforcement purposes: Provided further, That this provision shall not prohibit the release of aggregate statistical data used in formulating regulations pursuant to the Agricultural Marketing Agreement Act of 1937, as amended Provided further, That this provision shall not prohibit the release of information submitted by milk handlers.]

This change deletes the whole section. The Department considers the handler affiliation of particular growers and all other commercial or financial information submitted by handlers to be confidential and exempt from disclosure under the FOIA pursuant to the Agricultural Marketing Act of 1937.

Section 632. Prohibits the use of private debt collection agencies by the Farmers Home Administration. The conference agreement modifies the provision to add, "Unless otherwise provided in this Act,"

> [Sec. 632. Unless otherwise provided in this Act, none of the funds appropriated in this Act may be used by the Farmers Home Administration to employ or otherwise contract with private debt collection agencies to collect delinquent payments from Farmers Home Administration borrowers.]

This change deletes the whole section. This change is requested in order to permit the Secretary, his policy staff and program managers the flexibility needed to carry out the efficient operation of these programs.

Section 633: Provides for emergency conservation work in connection with restoration work associated with natural disasters.

> [Sec. 633. (A) Disaster Assistance to meet needs resulting from drought in the southeastern states, floods and excessive moisture in Michigan and Oklahoma and other natural disasters in such other states as may be determined by the President.]
>
> [Emergency Assistance to Agricultural Producers]
>
> [As authorized by existing law, and within the funding levels provided by this Act, for disasters occurring in 1986, the Secretary of Agriculture shall, in the case of any farmer or rancher suffering a major loss from such disaster, direct the Administrator of the Farmers Home Administration to, under such rules and regulations as the Secretary may determine as long as the objective of enabling farmers to stay in business is carried out:
>
> (1) Refinance existing debt at the lowest allowable interest rate and such terms as will give the borrower a reasonable chance to repay;
> (2) Provide loans for financing 1987 crop production;
> (3) Stretch out loan payments over a period of years, and base such payments on regaining our normal fair share of world markets; and
> (4) Coordinate disaster assistance programs with the Administrator of the Small Business Administration to assure that all individuals affected by natural disaster are provided with the appropriate financial assistance.
>
> (B) Within the funds made available by this section, the Secretary of Agriculture shall:
>
> (a)(1) As soon as practicable, but not later than forty-five days after the date of application by an eligible producer, make available to eligible producers for losses of production due to drought, excessive heat, floods, hail or excessive moisture in 1986 payments determined in accordance with this subsection.

(2) An eligible producer shall be a producer of the 1986 crop of wheat, feed grains, upland cotton, rice, soybeans, sugar beets, sugarcane or peanuts who--
(A) is eligible to receive price support under section 107D, 105C, 103A, 101A, 201 or 108B of the Agricultural Act of 1949 (7 U.S.C. 1445b-3, 1444e, 1444-1, 1446, or 1445c-2); and
(B) is in a county in which producers are eligible to receive disaster emergency loans under section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961) as the result of drought, excessive heat, floods, hail or excessive moisture which occurred in 1986.

(3) Payments made available to each eligible producer shall not exceed $100,000 for all crops (without regard to other limitations in farm program payments) and shall be determined for each crop of such commodities by multiplying--
(A) the payment rate; by
(B) the loss of production of the eligible producer.

(4)(A) Except for suger beets and sugar cane, the payment rate shall be equal to the level of price support established for the crop of the commodity for the farm.

(B) For purposes of determining the payment rate for sugar beets and sugar cane, the Secretary shall establish a payment rate which is fair and reasonable in relation to the level of price support which is established for the 1986 crop of sugar beets and sugar cane.

(5)(A) The loss of production of the eligible producer shall be the quantity of wheat, feed grains, cotton, rice, soybeans, sugar beets and sugar cane or peanuts that eligible producers on a farm are unable to harvest due to reduced yields or are prevented from planting to such commodity or other nonconserving crops due to drought, excessive heat, floods, hail or excessive moisture in 1986.

Such loss of production of the eligible producer for each such crop shall be the difference between--
(i) The result determined by multiplying
(1) 50 per centum of the farm program payment yield established for the crop of the commodity, by
(II) the sum of the acreage for which prevented planted credit is approved by the Secretary; and
(ii) The actual production on the farm of such crop of the commodity if such quantity is less than the quantity determined in accordance with clause (i).

(B) The sum of the acreage determined in accordance with paragraph (5)(A)(i)(II)shall not exceed--
(i) with respect to wheat, feed grains, upland cotton, or rice, the 1986 permitted acreage determined for such crop of the commodity; and
(ii) with respect to soybeans, peanuts, sugar beets and sugar cane, the acreage so affected but not to exceed the acreage planted in the immediately preceding year to soybeans or peanuts, respectively, for harvest including any acreage that the producer was prevented from planting to such commodity or to other nonconserving crops in lieu of soybeans or peanuts because of drought, excessive moisture, flood, hail, or other natural disaster, or other condition beyond the control of the producer.

(6) Payments determined in accordance with paragraph (3) with respect to any producer with crop insurance shall be reduced to the extent the amount determined by adding the total amount of crop insurance indemnity payments (gross indemnity less premium paid) received by the producer for the loss of production of each crop of such commodities on the farm and the payment determined in accordance with paragraphs (3) through (5) exceeds the amount determined by multiplying--

(A)(i) the quantity determined by multiplying 100 percent of the farm program payment yield established for each crop of such commodities by (ii) the sum of the acreage of each such crop planted to harvest and the acreage of each such crop planted to harvest and the acreage for which prevented planted credit is approved by the Secretary (the total not to exceed the quantity determined in accordance with subparagraph (5)(B);

(B) by the payment rate for each crop of the commodity.

(7) The total amount of payments made under paragraph (3) to producers on a farm with respect to each crop of such commodities and the total amount of price support loans and purchases (and program benefits for sugar beets and sugar cane) made with respect to such crop on such farm may not exceed the amount determined by multiplying-

(A) The farm program payment yield for the crop of the commodity; by

(B) The sum of (i) the acreage of the crop of the commodity planted for harvest and (ii) the acreage for which prevented planted credit is approved by the Secretary, but for each such crop such sum shall not exceed the quantity determined in accordance with subparagraph (5)(B); by

(C) The payment rate for each crop of the commodity.

(8)(A) For purposes of determining the farm program payment yield, the Secretary shall use the 1986 farm program payment yield established for the crop of the commodity or, if such data is not available, a yield determined by the Secretary to be fair and equitable.

(B) Notwithstanding any other provision of this subsection--

(i) a loss of production of quota peanuts from a farm as otherwise determined under paragraph (5) shall be reduced by the quantity of peanut poundage quota which was the basis of such anticipated production which has been transferred from the farm; and

(ii) payments made under this subsection shall be taken into account whether the lost production for which the loss of production is claimed was a loss of production of quota or additional peanuts and the payment rate shall be established accordingly. Further, notwithstanding any other provision of law, the amount of undermarketings of quota peanuts from a farm for the 1986 crop that may otherwise be claimed under section 358 of the Agricultural Adjustment Act of 1938 for purposes of future quota increases shall be reduced by the quantity of lost production of such peanuts for which payment has been received under this subsection.

(9) The disaster payments required by this section shall be made in the form of generic, negotiable commodity certificates redeemable from stocks of commodities held by the Commodity Credit Corporation.

(b)(1) notwithstanding any other provision of this section for the 1986 crop year, the Secretary of Agriculture shall utilize certificates redeemable from stocks of commodities held by the Commodity Credit Corporation, for the purpose of making disaster payments to producers of nonprogram crops, in counties in which producers became eligible subsequent to July 1, 1986, to receive disaster emergency loans under section 321 of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961) as the result of drought, excessive heat, flood, hail, or excessive moisture, and

(2) the Secretary of Agriculture shall make such payments (not to exceed $100,000 to any individual producer) if the Secretary determines that--

(A) the producer has suffered a substantial loss of production due to drought, excessive heat, flood, hail, or excessive moisture, and

(B) such loss has created an economic emergency for the producer to the extent that additional assistance must be made available to alleviate such economic emergency, and

(c) Within 30 days following the enactment of this Act the Secretary of Agriculture shall issue such rules and regulations as the Secretary determines necessary to carry out the program authorized by subsections (a) and (b) of this section. Such regulations shall provide that the term "nonprogram crops" shall include all crops insured directly or indirectly by the Federal Crop Insurance Corporation for crop year 1986, and in addition--

(1) the term shall include other commercial crops for which such insurance was not available for purchase or, if available, was not purchased by such by producers for crop year 1986, if--

(A) in accordance with rules and regulations issued by the Secretary of Agriculture, the producer of such crop(s) provides satisfactory evidence of actual crop yield for a least one of the immediately preceding 3 crop years: Provided, That in the event such data does not exist for any of the three preceding crop years the Secretary shall use county average crop yield data; and

(B) that the producer of such crop(s) also provides satisfactory evidence of 1986 crop year losses resulting from drought, excessive heat, flood, excessive moisture, or hail exceeding 50 per centum of the crop yield established in subparagraph (A) of this paragraph, and

(2) that payments made available to producers of such crops shall be based upon the average market prices received by producers of such crops, as determined by the Secretary.

(d)(1) The Secretary shall carry out the program authorized by this proviso through the Commodity Credit Corporation.
(2) Applications for payments made in accordance with this proviso must be filed by January 31, 1987.
(3) Payments made by the Secretary of Agriculture to eligible producers under this section shall be made as soon as practicable but not later than 45 days following the producer's application.
(e)(1) The Secretary of Agriculture shall reduce the amount of funds available for emergency insured and guaranteed loans to meet the needs resulting from natural disasters from funds in the Agricultural Credit Insurance Fund by $400,000,000.
(2) For purposes of making payments in accordance with this proviso, there is transferred to the Commodity Credit Corporation $400,000,000 from funds in the Agricultural Credit Insurance Fund.]

This change eliminates the entire section. This section provided for disasters occurring in 1986.

Section 634: Places a moratorium until June 30, 1987, on the prepayment of section 515 loans. The provision as agreed to limits the moratorium until June 30, 1987, unless such loan was made at least 20 years prior to the date of prepayment or, for loans made before December 21, 1979, the Secretary makes a determination that a supply of adequate, comparable housing is available in the community, or that prepayment of such loans will not result in a substantial increase in rents to tenants in residence upon date of prepayment or displacement of such tenants.

[Sec. 634. Notwithstanding any other provision of law, including section 502(c) (2) of the Housing Act of 1949 (42 U.S.C. 1471 et seq.), none of the funds appropriated under this or any other Act shall be used prior to June 30, 1987 to accept prepayment of any loan made under section 515 of the Housing Act of 1949, unless such loans was made at least twenty years prior to the date of prepayment, or for loans made before December 21, 1979, the Secretary makes a determination that a supply of adequate, comparable housing is available in the community or that prepayment of such loans will not result in a substantial increase in rents to tenants in residence upon date of prepayment or displacement of such tenants.]

This change deletes the entire section. The contracts entered into with apartment owners allowed for the prepayment of loans. The deletion of the section would allow the Federal government to meet the terms of the existing contracts. The new USDA Rural Housing Voucher program will be available to any displaced tenants to assist them in finding new housing.

Section 635. Provides that surplus agricultural commodities may be used to support participants in the Tenth International Pan American Games to be held in Indianapolis, Indiana.

[Sec. 635. The Secretary of Agriculture may transfer surplus agricultural commodities from inventory to the Department of Defense for use in complementing support provided by the Department of Defense to the Tenth International Pan American Games to be held in Indianapolis, Indiana.]

This change eliminates this section. This section provided for a one-time transfer of commodities, so it is not necessary for fiscal year 1988.

Section 636. Amends the Food Security Act of 1985 regarding the definition of "separate person".

[Sec. 636. The Food Security Act of 1985 is amended by inserting at the end thereof the following new sentence: "Effective for each of the 1987 through 1990 crops, the Secretary may not deny a person status as a separate person solely on the grounds that a family member cosigns for, or makes a loan to, such person and leases, loans, or gives such person equipment, land or labor, if such family members were organized as separate units prior to December 31, 1985."]

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 637. Modifies sign-up requirements under the burley tobacco program.

[Sec. 637. Section 106(A)(d)(1)(A) of the Agricultural Act of 1949 is amended by--
(1) striking out the parenthetical phrase in clause (i);
(2) inserting "and" at the end of clause (i);
(3) striking out clause (ii); and,
(4) redesigning clause (iii) as clause (ii).

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 638. Amends the Food Stamp Act regarding the dependent care deduction.

[Sec. 638. (a) Clause (B) of the last sentence of section 5(e) of the Food Stamp Act of 1977 (7 U.S.C. 2014(e)) is amended by striking out "for the excess shelter expense deduction contained in clause (2)" and inserting in lieu thereof "contained in clause (1)".
(b)(1) Except as provided in paragraphs (2) and (3), the amendment made by subsection ()shall become effective 30 days after the date of enactment of this Act.
(2) Except as provided in paragraph 3, the amendment made by subsection (a) shall not apply to an allotment issued to any eligible household under the Food Stamp Act of 1977(7 U.S.C. 2011 et seq.) for any month beginning before the effective date of this subsection.
(3) If a State elected before the date of enactment of this Act to compute household income in accordance with section 5(e) of the Food Stamp Act of 1977 (7 U.S.C. 2014(e)) (as amended by subsection (a)), the amendment made by subsection (a) shall become effective on May 1, 1986.]

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 639. Amends the Food Security Act of 1985 with respect to Valencia peanuts produced in New Mexico.

[Sec. 639. Section 108B(4)(A) of the Agricultural Act of 1949 (7 U.S.C. 1445c-2(4)(A)) is amended by inserting after "additional peanuts" the following: "(other than net gain on additional peanuts in separate type pools established under paragraph (3)(B)(i) for Valencia peanuts produced in New Mexico)".]

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 640. Amends the Community Economic Development Act of 1981 to allow the transfer of loans made from the Rural Development Loan Fund to a non-profit corporation.

[Sec. 640. Section 623B(b)(2) of the Community Economic Development Act of 1981 is amended by adding at the end thereof the following new sentence: "Notwithstanding any other provision of law, any Utah or Ohio local public body to which a loan was made after December 31, 1982, from the Rural Development Loan Funds may, at the discretion of such local public body and with the approval of the Secretary of Health and Human Services, transfer such loan to a nonprofit corporation designated by such body to serve as an intermediated borrower and to carry out the purposes of the loan."]

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 641. Amends the Food Security Act of 1985 regarding the nonprofit national rural development and finance corporation by extending the authorization and requiring $20,000,000 in loans from the Rural Development Insurance Fund.

[Sec. 641. (a)Section 1323(a)(1) of the Food Security Act of 1985 is amended by striking out "September 30, 1986," and inserting in lieu thereof "September 30, 1987," and

(b)Section 1323(a) is further amended by adding at the end thereof a new subsection--

"(5) Notwithstanding any provision to the contrary of subsection (4) above, the $20,000,000 which was available pursuant to subsection (4) shall continue to be available and shall be used by the Secretary prior to September 30, 1987, to guarantee loans for the national rural development and finance program and shall remain available until expended.".

and

(c) Section 1323(b)(1) of such Act is amended by striking out "September 30, 1986," and inserting in lieu thereof "September 30, 1987,", and inserting the words "made or to be" after the word "guarantees". Provided further, That such grant funds may be used by such corporation to provide technical assitance and financial assistance, including capitalizing revolving loan programs, pursuant to the Act.]

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 642. Requires that $500,000 of surplus commodities be used to fund the development of the external combustion engine, the cost to be offset by selling $500,000 in loans from the Rural Development Insurance Fund.

[Sec. 642. During fiscal year 1987, the Commodity Credit Corporation shall use $500,000 worth of surplus agricultural commodities owned by the Corporation in establishing and carrying out a research and development program on external combustion engines under section 4(m) of the Commodity Credit Corporation Charter Act. In addition to any sales required under any other Act, the Secretary of Agriculture, under such terms as the Secretary may prescribe, shall sell notes and other obligations held in the Rural Development Insurance Fund established under section 309A of the Consolidated Farm and Rural Development Act in such amounts as to realize new proceeds to the Government of not less than $500,000.]

This change eliminates the whole section. It provided for a transfer in fiscal year 1987 for a Research and Development program on external combustion engines.

Section 643. Amends the Food Security Act of 1985 regarding the use of alfalfa, and other multi-year grasses and legumes in rotation in the Conservation Reserve Program.

[Sec. 643. Section 1231 of the Food Security Act of 1985 is amended by adding at the end thereof the following new subsection:

"(f) For purposes of this subtitle, alfalfa and other multi-year grasses and legumes in a rotation practice, as approved by the Secretary, shall be considered agricultural commodities."]

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 644. Amends the Agricultural Act of 1949 to modify cross compliance requirements for producers of extra long staple cotton.

[Sec. 644. Paragraph (16) of section 103(h) of the Agricultural Act of 1949 (7 U.S.C. 1444(h)(16) is amended to read as follows:

"(16)(a) Notwithstanding any other provision of law, except as provided in subparagraph (B), compliance on a farm with the terms and conditions of any other commodity program may not be required as a condition of eligibility for loans or payments under this subsection.

"(B) In the case of each of the 1989 and 1990 crops of extra long staple cotton, the Secretary may require that, as a condition of eligibility of producers for loans or payments under this subsection, the acreage planted for harvest on the farm to any other commodity for which an acreage limitation program is in effect shall not exceed the crop acreage base established for the farm for that commodity.

"(C) Notwithstanding any other provision of law, in the case of each of the 1987 and 1988 crops of extra long staple cotton, compliance with the terms and conditions of the program authorized by this subsection may not be required as a condition of eligibility for loans, purchases, or payments under any other commodity program.".]

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 645. Amends the Soil Conservation and Domestic Allotment Act of 1949, as amended, with regard to local administrative areas for ASCS county committees.

[Sec. 645. The fifth paragrah of section 8(b) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(b)) (as amended by section 3 of Public Law 99-253(100 Stat. 36) is amended--

(1) by inserting after the third sentence the following new sentence: "Notwithstanding the preceding sentence, there may be 1 local administrative area in any county for which there had been established less than 3 local administrative areas as of December 23, 1985."; and

(2) in the sixth sentence (as it existed before the amendment made by paragraph (1)), by striking out ": Provided," and all that follows through the period and inserting in lieu thereof a period.]

This change eliminates the whole section. It made a permanent change to authorizing legislation, therefore it is no longer needed.

Section 646. Includes Sense of the Senate provisions specifying countries which would most likely benefit from this amendment, and deletes other references to specific nations. The conference agreement also ensures that the provisions of this amendment do not significantly alter existing programs or existing law.

[Sec. 646. (1) It is the sense of the Senate that the Secretary of Agriculture should make available not less than $10,000,000 worth of flour and cornmeal using the wheat and cornstocks of the Commodity Credit Corporation. Such flour and cornmeal shall be in addition to the traditional level of assistance made available under section 1114 of the Agriculture and Food Act of 1981, section 4 of the Agriculture and Consumer Protection Act of 1973, and any other provision of law administered by the Secretary.

(2)(a) During the three-year period beginning with the fiscal year ending September 30, 1976, through the fiscal year ending September 30, 1979, the Secretary of Agriculture shall make available to PVO's and cooperatives and to governments a total of at least 500,000 metric tons of wheat, 500,000 metric tons of soybeans, and 50 million pounds of dairy products under paragraph (11)(B) of section(11)(c) of section 416(c) of such Act.

(b) Commodities made available under this section during any fiscal year shall be--

(1) subject to the agreement of recipient nations--

(A) to acquire through commercial arrangements agricultural commodities directly or by private purchases during the fiscal year in an amount equal to 105 percent of the average amount of such agricultural commodities acquired through commercial arrangements during the 3 preceding years.

(B) to permit the sale of commodities furnished under this section in the recipient nation and to use the local currency generated from such sales--

(i) by PVO's and cooperatives to carry out approved programs of assistance in the recipient nation;

(ii) to operate lending programs in the manner provided for in section 108 of Public Law 480; and

(iii) to reimburse the United States in dollars for costs incurred in furnishing such commodities, including transportation and processing, during the same fiscal year in which such costs were incurred. Reimbursements under this pargraph may be made in local currencies generated from the sale of the commodities under this paragraph if they are used to pay expenses of the United States in the recipient nation.

(2) No greater than such amounts as is requested by recipient nations.

(c) To the extent practicable, commodities made available under this section shall be furnished in equal quantities during each of these fiscal years.

(d) It is the sense of Congress that commodities provided for in this subsection be made available to PVO's and cooperatives operating in the Republic of the Philippines, and the government of the Philippines.

(3)(a) During the three-year period beginning with the fiscal year ending September 30, 1987, through the fiscal year ending September 30, 1989, through the fiscal year ending September 30 1989, the Secretary of Agriculture shall make available to the friendly countries, under paragraph (b)(11)(A) of section 416 of the Agricultural Act of 1949, at least 500,000 metric tons on wheat and 45 million pounds of dairy products, notwithstanding paragraph (11)(c) of section 416(b) of such Act.

(b) Commodities made available to a nation under this section during any fiscal year shall be--

(1) subject to the agreement of the Nation--

commodities directly or by private purchases during the fiscal year in an amount equal to 105 percent of the average amount of such agricultural commodities acquired through commercial arrangements during the preceding three years.

(B) to sell any commodities furnished unde this section within the nation and to use the local currencies generated from such sales to (i) establish and carry out lending programs in such nations in the manner provided for in section 108 of the Agricultural Trade Development and Assistance Act of 1954 and (ii) reimburse the United States in dollars for costs incurred in furnishing such commodities, including transportation and processing, in the same fiscal year in which such costs were incurred. Reimbursements under this paragraph may be made in local currencies generated from the sale of the commodities under paragraph (2) if they are used to pay expenses of the United States in the recipient Nation.

(2) No greater than such amounts as is requested by such governments.

(c) To the extent practicable, commodities made available under this section shall be furnished in equial quantities during each of the three fiscal years.

(d) For purposes of this section, the term "friendly countries" shall have the same meaning as that term has under the Agricultural Trade Development and Assistance Act of 1954.

(e) It is the sense of Congress that commodities provided for in this subsection be made available to the Philippines and friendly countries of Africa.

(4)(a) During the three-year period beginning with the fiscal year ending September 30, 1987, the Secretary of Agriculture shall make available to PVO's cooperatives and governments, 460,000 metric tons of wheat, 137 million pounds of dairy products, and 180,000 metric tons of soybeans; under paragraph (11)(B) of section 416(b) of the Agricultural Act of 1949, notwithstanding paragraph (11)(C) of section 416(b) of such Act.

(b) Commodities made available to a nation, or PVO's and cooperatives operating in such nation, under this section during any fiscal year shall be--

(1) subject to the agreement of the nation-- (A) to acquire through commercial arrangements agricultural commodities directly or by private purchases during the fiscal year in an amount equal to 105 percent of the average amount of such agricultural commodities acquired through commercial arrangements during the preceding three years;
(B) to permit the sale of commodities furnished under this section within the nation and to use the local currencies generated from such sales (i) by PVO's and cooperatives to carry out approved programs of assistance in the country and (ii) to operate lending programs in the manner provided for in section 108 of Public Law 480; and
(C) to reimburse the United States in dollars for costs incurred in furnishing such commodities, including transportation and processing, in the same fiscal year in which such costs were incurred. Reimbursements under this paragraph may be made in local currencies generated from the sale of the commodities under paragraph (2) if they are used to pay expenses of the United States in the recipient nation.

(2) No greater than such amounts as is requested by such government.

(c) To the extent practicable, commodities made available under this section shall be furnished in equal quantities during each of the three fiscal years.

(d) For purposes of this section, the term "friendly countries" shall have the same meaning as that term has under the Agricultural Trade Development and Assistance Act of 1954.

(e) It is the sense of Congress that of the commodities made available under this subsection--

(1) 400,000 metric tons of wheat, 80 million pounds of dairy products and 180,000 metric tons of soybeans be made available to Nigeria;
(2) 1 million metric tons of wheat be made available to friendly countries in Africa, other than Nigeria;
(3) 30,000 metric tons of soybeans, and 50 million pounds of dairy products be made available to India; and
(4) 60,000 metric tons of wheat and 7 million pounds of dairy products be made available to Bangladesh.]

This change eliminates the entire section. It provided the Sense of the Senate on the Fiscal Year 1987 Continuing Appropriations.